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STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

ORGANIZATION

THURSDAY, 11 MAY 1989

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

CHAIRMAN: Cooke, David R. (Kitchener L)

VICE-CHAIRMAN: Pelissero, Harry E. (Lincoln L)

Cleary, John C. (Cornwall L)

Ferraro, Rick E. (Guelph L)

Haggerty, Ray (Niagara South L)

Hart, Christine E. (York East L)

Kozyra, Taras B. (Port Arthur L)

Mackenzie, Bob (Hamilton East NDP)

McCague, George R. (Simcoe West PC)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Pope, Alan W. (Cochrane South PC)

Substitution:

Brown, Michael A. (Algoma-Manitoulin L) for Mr Kozyra

Clerk: Freedman, Lisa

Assistant Clerk: Decker, Todd

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday, 11 May 1989

The committee met at 1011 in committee room 1.

ORGANIZATION

Clerk of the Committee: Honourable members, it is my duty to call upon you to elect a chairman.

Mr Haggerty: I move that David Cooke, the member for Kitchener, be nominated as chairman of the standing committee on finance and economic affairs.

Clerk of the Committee: Are there any further nominations? There being no further nominations, I declare nominations closed and Mr Cooke elected chairman of the committee.

The Chairman: Thank you very much. Before we move to the next item on the agenda, I should introduce Lisa Freedman, who will be our new committee clerk. Lisa is a lawyer, which means she is really smart.

Mr Ferraro: It also means she lost the flip.

The Chairman: I understand she has had a varied career involving many things that have to do with government, but this is her first baptism as a committee clerk. Todd Decker will be working with her through the spring sittings so we will have the benefit of both their expertise.

Mr Ferraro: I never saw her resumé. Did she have an honest job before she came here?

The Chairman: Yes, she had an honest job.

Mr Ferraro: Before she became a lawyer?

The Chairman: She was not actually out there being a lawyer.

Mr Ferraro: Okay, thank you.

The Chairman: Nominations are open for vice-chairman.

Ms Hart: I nominate Harry Pelissero for vice-chairman.

The Chairman: Any further nominations? I declare nominations closed. Harry Pelissero is the vice-chairman.

Could we have a motion regarding the transcription?

Mr Ferraro: I move that unless otherwise ordered a transcript of all committee hearings be made.

Motion agreed to.

The Chairman: We have a motion regarding establishing a business subcommittee. This is a new name for the subcommittee on agenda and procedure, a steering committee.

The Vice-Chairman: Why do we not just call it a steering committee?

The Chairman: All right, can we have a motion establishing a steering committee? Is anyone interested in having a steering committee?

Mr McCaque: Mr Chairman, why do we not have the vice-chairman of the committee and the two opposition members who are here?

The Chairman: All right. Is there any further discussion? Mr Pelissero, Mr McCague and Mr Morin-Strom would constitute the steering committee.

The Vice-Chairman: Including the chairman, I assume.

The Chairman: Yes. Thank you. Any further discussion? All in favour? Carried.

The Chairman: Discussion re budgetary requirements for 1989-90?

Assistant Clerk: At this point, the committee has no budget. We need to establish a budget for the next fiscal year.

The Vice-Chairman: Does that mean you will not get paid?

Assistant Clerk: I am paid out of a different budget.

We could prepare a budget and come back to the committee with a final budget, or try to propose a budget next Thursday. I would like to get an idea, though, of what sorts of things the committee expects it will be doing or wants to do so that we can take those things into consideration.

For instance, travel. Travel has its own particular requirements that need to be budgeted for separately, so I need to get an idea of what sorts of things you want to do and when you want to do them, so I can try to make as exact a budget as possible.

The Chairman: I am wondering if agenda items really should not come before that.

Mr Haggerty: I think we could give serious consideration to a follow-up on this free trade deal in the year 1992. The committee should be watching that very closely, because I think you are going to see some major implications in government policies in the federal government and other countries throughout the world on that. I think we should keep that in mind and we should have a follow-up in this particular area.

The Chairman: That is something you feel we should do.

Mr Haggerty: Definitely. I think the year 1992 is going to be critical throughout the world, with the European Community and with free trade with the United States, and we should be watching that very closely.

The Chairman: Perhaps we should discuss, at least briefly, what we want to do before we start talking about how much money we want. Do you have a resolution sitting in front of you with regard to that, perhaps, Mr Haggerty?

Mr Haggerty: Not unless you want one pulled out of my mind. Do you?

The Chairman: No. I think there is one printed up for you.

Mr Haggerty: I do not see it here.

Mr Ferraro: You may want resolutions now, but I am just wondering whether we should have some general discussion as to what the committee members would like to see on the agenda as opposed to giving you these specific resolutions.

The Chairman: Go ahead, Mr Ferraro. Do you want to speak in general terms?

Mr Ferraro: I was just going to reiterate my thoughts for the committee, in that I think we should be dealing with national sales tax reform. Whether we like it or not, it is inevitable. It comes in in January 1991. I think part of that would be a better understanding of—

Mr Morin-Strom: I thought Mr Peterson and Mr Bourassa did not think it was inevitable.

Mr Ferraro: As far as the federal government is concerned, is what I am saying. As part and parcel of that, we should have a consideration of revenue sources, transfer payments, and essentially everything pertaining to money generation, if you will. That is my feeling on it.

The Chairman: You are talking about not only national sales tax but a general discussion of various taxation measures, perhaps including some of the ones that are being bandied about right now in anticipation of the budget and, of course, which would occur after the budget.

Ms Hart: I have some sympathy with what my colleague is saying. The difficulty I have is that it is a federal program and the province has been excluded by the feds from participating at this stage. There are so many other economic changes going on that I think we could be usefully looking at the whole fallout in terms of the have and have-not industries, the restructuring of industries, and whether our training programs are having an impact or not.

There are many, many areas you could pursue: you could pursue worker ownership; you could pursue many different aspects of that economic change and its root economic change. While we have looked at the national sales tax to an extent, we still do not know exactly how it is going to pan out, that is true; we will not know until later on in the year. I am a little reluctant to say let's continue on with national sales tax, because we know we are not going to be involved at least for the immediate future.

1020

The Chairman: Any other discussion?

Mr Mackenzie: Just two comments based on the last remarks, and they are not necessarily indicating where the heck I think we should go yet. First, I have difficulty in seeing what we would actually get out of a look at "the need for training and adjustments." The rationalization has been going on for some time and the figures are now—I have not got them in front of me, but they are pretty explicit. The number of new jobs in this province that are just above the minimum wage is fantastic. We are seeing a downgrading of jobs,

and the upgrading or training is not likely to change that. That is a more fundamental result of some of what is going on with regard to the whole trade issue.

On the national sales tax, I think there is some merit to looking at it. There is little doubt in my mind that we are more likely to see that Ontario's interests are protected than anything else. That was the comment of the Treasurer (Mr R. F. Nixon) on it, I recall, not at the last meeting but the prior meeting. I would like to know a little more about just how it is going to affect us and whether we have to accept it as a fact at this stage of the game. It seems to me there is still some indication that the government might pull up its socks a bit and be a little tougher on this one than they were on free trade.

The Chairman: I should intervene to tell the committee, and I am sorry I did not do this before we started, that I have taken the liberty, subsequent to my election as chairman, of course, to invite the Treasurer to appear before the committee next Thursday morning—he will be delivering a budget at four o'clock Wednesday afternoon—to discuss the budget. If the committee has no objections, we will schedule that.

The Vice-Chairman: He has agreed.

The Chairman: And he has agreed. He has accepted. That would handle next week, but we are obviously talking about thereafter.

Mr McCague: From a nonpartisan point of view, I think we would be wrong to set our agenda today for any time in the future. We should wait for the Treasurer's budget on Wednesday and listen to him next Thursday, and if there is time at the end of next Thursday to set our future agenda, fine. If there is not, let's do it the week after that at the start. I really think the things he says in the budget, the kind of direction he goes, is going to be quite valuable to us in what we should be doing in the weeks that follow. It would be premature for us to decide today, in view of his budget which is before our next meeting.

Mr Mackenzie: That makes eminent sense, Mr. Chairman.

The Vice-Chairman: I agree with George, as always. He makes a lot of sense. But just to support what Christine said about adjustment programs, I would like to view it as a potential item from an unemployment insurance perspective, in terms of the impact it is going to have on the types, variety and number of programs, now that the federal government has simply said it is between the employer and the employee; in terms of the funds and what is going to be done, and the potential direction the federal government may take when it said it is going to reallocate, not necessarily new funds, but redirect funds it was committing to unemployment insurance to new programs.

To use your figures, Bob, in terms of the low-wage-paying jobs of the service sector: How can we ensure either through different ministries that we are, in fact, in a position for the highly technical if we are going to be "world-class, competitive in a global economy"? What does that mean for the education system? What does it mean for the workers who are going to have to be retrained for some industries that are going to be rationalized by whatever means?

I respect the comment that maybe we should wait until after the provincial budget, but I would like to spend maybe just a few minutes on what other ideas, just put it out on the table, and then take it from there.

The Chairman: And make our decisions later.

The Vice-Chairman: Make our decisions next week.

<u>The Chairman</u>: In so doing, would there be any value in considering a bare-bones budget next week, or should we wait until we know whether we need to travel, etc?

Assistant Clerk: I think the committee should get its basic administrative budget to the Board of Internal Economy now so that we will have operating funds to do what we want to do now. If we need to go supplementary for other items, we probably should do it that way. We could wait a couple of weeks, though.

The Chairman: I am wondering if it might be tactically better to wait. I think I am hearing a consensus that we do not want to make firm decisions about agenda today but we would like to flesh out ideas a little more. Perhaps the tactics would dictate waiting until we have a better idea before we put a budget in.

Mr McCaque: I think that is correct. On the points that Mr Pelissero is making and Mr Mackenzie has made, when it comes to valuable contributions, I think this committee could make a valuable contribution in this whole area of adjustment. I do not think it is being unfair to say that the various programs the governments have at present are not working. They are not working in my area, and maybe we can help in designing or suggesting something that will work.

The uptake is poor; the people it was designed to serve do not seem to be getting served, for various reasons. We have a lot of people out there still, in the 55-to-65 age group, who are not employed because they miss the sign-up date. There are quite a few of those in Massey's and the Collingwood shipyards and two or three in Toronto here.

I think we could do some valuable work in that area, but I still think we should leave it until we hear from the Treasurer on Wednesday and chat with him on Thursday and then forge ahead from there.

Mr Haggerty: I opened the discussion on the matter of following up on the free trade between Canada and the United States and the world, of free trade in the European Community. I talked to the chairman a little about a week ago. My concern was the energy policy of the provinces and even of the federal government. Now that free trade is here, the Americans are securing their energy for the future.

It has been brought to my attention by a member of the Ontario Natural Gas Association that one of the things that drives the industry in Ontario, the engine, is natural gas. If we are not going to get any secure supply of natural gas to Ontario, we may suffer serious consequences in that it will affect our industries.

I think energy is one of the key things that was part and parcel of the free trade agreement between Canada and the United States. They wanted a secure supply of energy and they are not wasting any time. I understand the National Energy Board has already confirmed agreements in this area on energy to the United States. If we are not on our toes, we could be shortchanged in this.

The Chairman: Presumably if we talk about adjustments, we will talk about the effects of this free trade agreement in every respect. I would think energy and natural gas—

 $\underline{\mathsf{Mr}\ \mathsf{Haggerty}}\colon \mathsf{There}\ \mathsf{is}\ \mathsf{a}\ \mathsf{good}\ \mathsf{article}\ \mathsf{in}\ \mathsf{the}\ \mathsf{Globe}\ \mathsf{and}\ \mathsf{Mail}\ \mathsf{this}$ morning on it.

The Chairman: — would be highlights. Pork—producing countervail would be something we would want to look into. Certainly, it is a concern in my area.

Mr Haggerty: I think it is an area we should be looking at in detail.

 $\underline{\mathsf{Mr}}$ Morin-Strom: In energy, I suppose if cold fusion works out, we can solve that problem.

The Chairman: Yes, if we could get the scientists to agree.

Mr Morin-Strom: All the oil companies can fold up shop and we can close down our nuclear plants. We will all be laughing.

The Chairman: We will all be happy.

Mr Morin-Strom: In terms of issues I think we should look at, I guess there are a few different choices. We could go specific or we could go on broader subjects. Certainly taxation is one we have talked about so many times and never really got our teeth into.

1030

But there are a couple of major areas of taxation we could look at more closely. They include the national sales tax, a value added tax, which—it is hard, because the federal government is moving ahead, anyway, with or without it—but that does not preclude us from moving with them, or independently from them, to a broader-based value added or sales tax which covers services as well as goods.

Whether we are going to go with or without the federal government ${\tt I}$ think should be looked at as well.

Then there is the issue of the one new tax that was brought up in our committee's report, which was introducing a wealth tax. The Treasurer may say something about it. I suspect at this point he will not yet announce a wealth tax, but that is the type of tax we could be looking at, in terms of how some of these other tax options actually operate.

We know there are a lot of countries that use them. They are not used particularly in Canada or the United States, but certainly the western world, particularly European countries, use both the value added taxes and wealth taxes extensively. Undoubtedly, there are various options in terms of how those taxes are structured.

We essentially have a wealth tax on corporations today in the capital tax, so there is no reason why we cannot have a wealth tax on individuals. I do not believe there is any reason constitutionally why we would not have the right to move. We did it in the corporate sector with the capital tax, even though it is at a relatively nominal level right now. There is certainly the potential for it being at a higher level.

That is the tax area. There is another major area, though. We may just get bogged down, like we have in the past, in looking at taxes. Another area I would suggest as a possibility is something along the lines of the Premier's Council report and going into its recommendations in detail and looking at this whole issue of, as they title it, Ontario Competing in the New Global Economy; what kinds of things we should be doing here as a province to make ourselves more competitive in terms of world trade.

There are a number of recommendations there. They are somewhat controversial, because even within the business community, there are portions strongly opposed to the kind of interventionist recommendations in there, while many others in Ontario believe the government does have a very important role in assisting the creation of competitive firms.

That potential could include looking at what the various ministries, particularly the Ministry of Industry, Trade and Technology, have been doing in terms of trade initiatives. I think that is another area.

Finally, I suppose, from my standpoint, having been on the committee for nearly four years, going back to it as a select committee originally, one of the most valuable experiences I think we have all had and enjoyed was the opportunity in particular of the visits to Washington. We made them a very regular part of the committee, up until about—Was there one last spring?

The Chairman: Yes, we went in the spring of 1988.

Mr Morin-Strom: It has been a little over a year now since the last trip to Washington. To me, those were so valuable in terms of getting a grip on what is happening with our closest and most important trading partner and neighbour, the United States, both in understanding the politics of the United States and certainly the tremendous opportunity we had to meet elected representatives and senators. In particular, the last two trips we had I think were eye-openers, in terms of understanding some of the political psyche and how Washington operates.

But for a committee like ours, looking at Ontario's financial position, where the economy of Ontario is likely to go and what we as a government might do to assist the economy, understanding the economic and business climate in Washington is a valuable thing for us to keep some understanding of. Those visits were extremely valuable. I think at one point we had recommended that those should be an ongoing, annual exercise.

The Chairman: The select committee's final report, as I recall, recommended that this committee, which had been set up by that time, do that ad infinitum really.

There is another thing I should just mention to the committee. It is the chair's view, and I think Mr Morin—Strom is right on. We made a recommendation to the Legislature and to the Treasurer that they consider a wealth tax. After we did it, I started to realize the enormity of what we had said, and we had not done an awful lot of research into that. It is likely going to need a little public debate, it is likely going to need a little more understanding of what we are saying. If we wish, that could be something we could be looking into, the whole issue of where we are going in taxes.

The Vice-Chairman: I have two things to add to the roster. There is one that is kind of a standing part of the agenda, and that is the prebudget submissions. I think we would want to keep in mind that we always find

ourselves in a time frame of being under a crunch. We may want to consider starting that process early in September or October, if in fact we try to get some normality when the budgets come down, so that we do have a good opportunty to hear from individuals as well as do some good work in terms of background material, suggestions. Being involved just a second time around in the prebudget submissions, I think our last prebudget report was more finely tuned than the previous one.

Another area we had some discussion on was the concept of getting together somehow with other provincial finance and economic affairs committees, around what issue or issues I am not sure. I think there was some discussion that there might be some merit in either that or, maybe to start off, meeting our counterparts in Ottawa as opposed to some of the other provinces. At a minimum, I know we talked one time about meeting Don Blenkarn's committee, and now they have a consumer and—

The Chairman: A consumer and corporate affairs committee?

The Vice-Chairman: Yes, that Garth Turner is chairing. I would like to put that on our list of considerations as well.

The Chairman: Mr Blenkarn once appeared in front of our committee in the previous Parliament. He was very informative. They have a much larger operation. They meet daily. They have two panels that meet and a much larger staff, etc. I have had a long-standing wish to get to spend a couple of days in Ottawa just watching what they are doing. I do not know; it might be something that at least the chair and the clerk should be doing or maybe a subcommittee. If it is the whole committee, that could be valuable too, although it is something we should think about. We have a number of things on our plate.

The Vice-Chairman: Yes. Wait until next week.

The Chairman: Perhaps we could have for next week just a point-form reminder of some of the issues that were raised this morning, and go on either next week or the week after, depending on how much time we spend with the Treasurer next week.

Any other business?

The committee adjourned at 1040.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

BUDGET

THURSDAY, 18 MAY 1989



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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Clerk: Freedman, Lisa

Assistant Clerk: Decker, Todd

Anderson, Anne, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Treasury and Economics:

Nixon, Hon. Robert F., Deputy Premier and Treasurer of Ontario and Minister of Ecomomics (Brant-Haldimand L)

Gourley, Michael L., Assistant Deputy Minister, Office of the Budget and Intergovernmental Finance

Christie, Robert D., Director, Finance Policy Branch

Mogford, Mary, Deputy Minister

Sweeting, Tom, Director, Taxation Policy Branch

LEGISLATIVE ASSEMBLY OF ONTARTO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday, 18 May 1989

The committee met at 1005 in room 151.

BUDGET

The Chairman: Perhaps we can get started. This is the day we agreed that the Treasurer be invited to appear in front of us, and he has agreed to do so, together with his officials, to discuss the document which we all heard yesterday and to answer questions.

I welcome you, Treasurer, to the committee. Perhaps if you would, you could give us a bit of an opening statement. I understand you are able to be here for two hours.

Hon R. F. Nixon: That is right. I thank you for the invitation. The deputy minister will be with us in a moment. The assistant deputy minister, Mr Gourley, in charge of the budget, is sitting to my far right, and Mr Christie, the chief economist of Ontario, is sitting on my immediate right. They can provide the specific answers to questions, with the assistance of other staff members, that any members might want to put to us.

I have just been looking at the media response to the budget. There was one thing that concerned me. I think it was on the front page of the Financial Post, with a rather flattering picture of me. It said underneath that we had imposed a special tax on business to pay for the entire cost of the Ontario health insurance plan. The employer health levy replaces the premiums, the share that is paid by business, and if the legislation is approved, that will pay for only 16 per cent, at the present calculation, of the cost of our medicare program. It just occurred to me that it was quite seriously in error, and I thought I should mention it since it was in the Financial Post and in a prominent place.

There is nothing else I want to say. Of course, my statement was made to the House at length yesterday. I did feel it would be an appropriate time, on your invitation, to make the officials of the Treasury and myself available to answer questions from the honourable members.

The Chairman: We already have some questions. Mr Kozyra and Mr Pope.

I might indicate that it will be necessary to be a little stricter than normal in allocating time, to make sure that everyone who does wish to ask questions can do so.

Mr Kozyra: I have two questions. There are many good things, not only for Ontario but also for the north, but I will focus on two concerns I have and perhaps they can be clarified.

The first is on transportation and the \$2 billion allocated for the province. The breakout I saw for the north represents about \$100 million additional, which represents five per cent. By population, the north is roughly nine per cent of the population. We will be asked about that, that we did not get our fair share for the north. Certainly in land mass the north represents about 90 per cent, so I would like that addressed.

The second is on the forest renewal program. Again, I know the feds did not participate, and that put us in a bind. I was glad to see the province not only kick in its \$15 million but mention another \$18 million here. It is that \$18 million I am concerned about, because as I read this, the negative interpretation means that it comes out of this revenue, the 15 per cent surtax, which in fact says that we are entrenching the surtax, the softwood lumber tax.

On the one hand, we are committing to forest renewal in the north, which is a great thing—it is our lifeblood up there—but that surtax is killing 15 to 20 sawmill communities. There is a basic irony here if that is what it does, if it entrenches this. It is a real concern. I would like those two things clarified.

Hon R. F. Nixon: Let's begin with the softwood lumber tax. I agree entirely that this tax must not be entrenched and it must not be considered to be entrenched. At the time it was imposed by the federal government, in agreement with the Americans, who were objecting to unfair competition, Ontario was not a part of that problem. Our stumpage was high enough so that it was competitive with the Americans and so on.

We were lumped in with the other provinces as having to pay that tax. We objected to it then. Unlike the other provinces, we have not gone on and raised our stumpage further to absorb that tax, because our stumpage was high enough.

Within the last month, I have personally written to the ministers federally responsible bringing this to their attention again and urging them to bend every effort to get that tax removed. It is unfair as far as Ontario is concerned.

1010

The revenue this year is estimated to be about \$17 million or \$18 million, which is down, and we know that the lumber industry is suffering. We know about closures and the difficulties the north is experiencing.

There has been a lot of controversy as to how to allocate the money. I suppose the best thing is to pop it into the consolidated revenue fund, which of course is essentially where it goes, but we thought it was appropriate in the budget to say that money would go as an extra payment in support of our forest industries and reforestation. Specifically, in the budget it says, "until such time as it is removed."

Taras, I agree entirely with your concept. That money is going to be spent. We cannot spend it in support of the softwood lumber mills themselves, because of course that would not be acceptable under the trade agreement, but it can be used to strengthen the forest industry.

When it comes to the allocation of the special transportation capital fund, I am interested that you know what the percentages are, because, frankly, I do not. That is up to the minister to announce and decide, so I cannot respond to that. It may be that there is already announced work on Highways 69, 11 and 17 and you are saying, "If they go ahead with that, that allocation is not fair." I will certainly bring that to the attention of the minister, as will you, but I do not believe that decisions on the specific allocations are made, are they?

Interjections.

Mr Kozyra: I got the figures from a breakout for staff in the lockup yesterday, and it was by region. That is what it showed, roughly \$100 million for the north.

<u>Hon R. F. Nixon</u>: I was not aware of that, and that must have come from the Ministry of Transportation. I am sure the minister will be able to respond to that in a more appropriate place.

Mr Kozyra: Okay.

Mr Pope: Mr Chairman, on a point of order: Are you saying that you got a breakout by region that was not available to the other two parties?

Mr Kozyra: My staff person had it. I do not know whether it is available or not.

Mr Pope: No, it was not. I am sorry.

<u>Hon R. F. Nixon</u>: It is not available to the Treasurer either, if that makes anybody feel any better.

Mr Pope: I am not saying it was. I am saying, was there information provided on regional breakdowns that was not available? Was it made available to you?

Mr Morin-Strom: Not to my knowledge.

The Chairman: It sounds as if Mr Kozyra has made certain investigations and perhaps he can make his sources available to you, Mr Pope.

Mr Morin-Strom: We heard the Treasurer yesterday mention \$1.2 billion for Metro Toronto out of the \$2 billion, so the Treasurer apparently did have some kind of a breakdown.

Hon R. F. Nixon: I know what is going into Metro; that is correct. The rest of it is for the rest of the province. I will find out what the allocation is and let you know, because I do not know. There is \$800 million for the rest of the province.

The Chairman: Just as a supplementary to the question, to what extent does the transportation capital project affect the present planning for highways?

Hon R. F. Nixon: All the present work, of course, is going to continue on the basis of the plan that the ministry has already announced or has in train. I think the words were "to increase and expedite" and this is an extra \$2 billion over five years. It can be \$300 million to \$400 million extra over five years.

Presently we are spending on provincial roads about \$700 million in actual capital. There is about the same amount—actually more—that is going on municipal roads. Part of the allocation of the new capital is for municipalities as well. I believe \$200 million extra is for municipalities as well.

Mr Pope: You start out with a statement that the payroll tax was a replacement for OHIP premiums. I think you indicated it represented 16 per cent of the total OHIP cost, approximately. Is it not a fact that the revenues from the payroll tax will exceed the OHIP premium revenues by \$271 million?

Hon R. F. Nixon: The OHIP premiums presently pay for under 13 per cent of medicare.

Mr Pope: Yes. So there is an increase?

Hon R. F. Nixon: Certainly, because over the last years that percentage has dropped from 20, or 19.6 or whatever, down to just above 12. It was my feeling as Treasurer that we should be moving back towards the level it was when the OHIP premiums were frozen four years ago. It is part of the plan that it would return to 16 per cent.

Mr Pope: So I am right that there is \$271 million in additional revenue—

Hon R. F. Nixon: That is correct.

Mr Pope: —this year over the OHIP premium revenue?

Mr Gourley: That's on a full-year basis.

Mr Pope: On a full-year basis.

Mr Gourley: On a this-year basis it is \$34 million.

 $\underline{\text{Mr Pope}}$: But for a full year there is going to be \$271 million more revenue in the government's hands.

 $\underline{\mathsf{Mr}}$ Gourley: On a full-year basis it is \$271 million, and this year it will be \$34 million.

 $\underline{\text{Mr Pope}}\colon$ And in response to the Financial Post story, you made your statement—I do not presume you are going to fix the 1.96 per cent in the legislation.

Hon R. F. Nixon: I think we do.

Mr Gourley: Yes, it will be part of the bill.

 $\underline{\text{Mr Pope}}$: The law will provide 1.96 per cent, and therefore it cannot be increased without an amendment to the act, which you are going to be introducing.

 $\underline{\text{Hon R. F. Nixon}}$: That is correct. That is the way we tax around here, by law.

Mr Pope: And with respect to your plan, are you indicating that it is your plan to have the payroll tax eventually meet 20 per cent of total cost?

Hon R. F. Nixon: No, it is not my plan to do that. The 16 per cent is my goal.

The Chairman: Is it a goal to hold it at 16 per cent, not more or less?

<u>Hon R. F. Nixon</u>: That is our goal, and that is what this accomplishes. I think what Mr Pope is referring to is to what might be in the budget next year or five years from now, and that may or may not be for me to decide.

Mr Pope: Is there a budget paper indicating the target of 16 per cent, or is there any other target that has been discussed?

Hon R. F. Nixon: No. The 16 per cent is what the imposition of this tax will return on the cost of medicare as it is this year. Naturally, if the payroll tax does not change in either its base or its rate, then as the costs of medicare go up, as they may, it would of course start sliding back as a percentage of the total cost. So to maintain that rate, we would have to depend on the productivity of the tax on either the basis of its base or its rate or a combination of those.

[Failure of sound system at 1013]

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Mr Mackenzie: -will go into implementing that report?

Hon R. F. Nixon: And the rest of this year?

Mr. Gourley: Treasurer, I do not have that number; we could work that out. The total year-over-year increase will be more than 20 per cent from the spending on social assistance benefits last year to the total spending on social assistance benefits in the budget. I do not have the breakdown of the components of that 20 per cent, but I know that is rate, off the top of my head.

The Chairman: I have Mr. McCague, Mr. Ferraro and Mr. Haggerty. If time permits, Mr. Pope wishes to get back on and Mr. Laughren.

Mr McCaque: First, of course, I would like to congratulate the people who wrote this document. It is getting a little more difficult to read between the lines.

Hon R. F. Nixon: They are present, so they will appreciate your comments.

Mr McCague: However, in talking about your \$200-million constraint, you admitted, in talking about the \$540 million that you had last year, that \$200 million was easy.

Hon R. F. Nixon: The \$200 million that I was talking about and you are presently talking about is built into this budget. This is the additional \$200 million that is difficult.

Mr McCaque: Where would you find that in the text?

 $\underline{\text{Hon R. F. Nixon}}$: It is established in the allocation. The allocation process this time was directed towards taking into rational account, ahead of time, year—end serendipity, which is a word I learned recently.

Mr McCague: Well, that is your explanation-

Hon R. F. Nixon: Right. So you might as well leave it.

Mr McCague: That is a claim that you can make without any substantiation whatever.

Hon R. F. Nixon: It is a claim in the presence of the public officials without endangering myself, and I do not feel endangered.

Mr McCague: You like "serendipity," though.

Hon R. F. Nixon: Not bad.

 $\underline{\text{Mr McCaque}}$: On the advanced payments on the capital account, when do you intend to make those payments?

<u>Hon R. F. Nixon</u>: I guess as the hospital boards, school boards, colleges and universities and so on are ready to receive them, and we do not want to delay those payments. If we had the money in the consolidated revenue fund, we want to get it out there on a timely basis.

Mr McCague: And if you have not got the money?

Hon R. F. Nixon: We expect to have the money.

Mr McCague: One could be a little cynical and say that even though you preflowed \$413 million in March for 1989-90, you could wait until 31 March or 1 April to make the decision as to whether or not to flow this \$410 million.

Hon R. F. Nixon: I do not know. Is there anything you can add to that. Mike?

Mr. Gourley: Treasurer, as far as I know, the ministries will be looking at the approvals of the projects. Once they have identified a ministry share, or in fact, in the case of universities, the amount that is required for the specific projects, they will be proceeding on the basis of this budget.

Hon R. F. Nixon: Mr. Chairman, I can assure you that it is perfectly straightforward. This is a government without walls or barriers and it is done in a businesslike and fair way.

Mr McCaque: And lots of money taken out of our pockets.

Hon R. F. Nixon: That is right, but people who have the money taken out of their pockets are the ones also who very properly demand modern hospitals, good schools, good roads, a clean environment, jobs for their kids—you know

 $\underline{\text{Mr McCague}}\colon \text{But there is no commitment to flow these capital funds on request.}$

Mr Gourley: The ministry will be working with the various institutions, the school boards, the universities and the colleges based on the projects that they have been working on and discussing. Once those are decided, the ministry will forward the funds, as is my understanding. I am not familiar with the details. The specific ministry staff would know that beyond, if you like, the normal process of saying these are the projects that are approved and announced and so on. There will not be any differences as far as I am aware.

Mr McCaque: I will just leave it except to say that it does give the Treasurer a little flexibility that he may or may not use.

<u>Hon R. F. Nixon</u>: I think Mr McCague makes a good point. Don McColl, the assistant deputy minister of Treasury, who handles the money, just mentioned to me that if he has interim supply, he can approve the transfers on request. Interim supply is coming up.

Mr Ferraro: I have a couple of questions; one is a clarification for me. I note that, to reiterate, we are spending \$3.2 billion on capital which counts for our deficit and so forth. My question is, are we saying—I may be repetitive—that all of that \$3.2 billion is going to be advanced this year?

Hon R. F. Nixon: That is the amount we expect to spend this year. That is not for a hospital, for example, that is going to have \$3 million spent this year and \$5 million next. It is the amount that is flowed from Treasury in support of a variety of programs.

Mr Ferraro: All right. Let me use a specific example. In April 1988, my friend the member for Wellington (Mr J. M. Johnson), the Conservative Party and I were pleased to received, on behalf of our constituencies, roughly \$13 million, I think it was, for new schools.

Hon R. F. Nixon: That much?

Mr Ferraro: It was not enough, Treasurer.

Hon R. F. Nixon: Oh.

Mr Ferraro: Having said that, they just started digging for one school, to my knowledge, this year. Now, when would we account for that \$13 million?

Mr Gourley: It would be accounted for when—if it was in April 1988, I imagine it would be in 1988-89, which was the last fiscal year. I do not know specifically—I might check—

Mr Gourley: At the normal time that would be accounted for as having flowed out of the consolidated revenue fund, if you like.

Mr Ferraro: Where did it flow to?

Mr Gourley: To the school board.

Mr Ferraro: We get \$13 million and they put it in an account until such time as the school is built?

Mr Gourley: Actually, you indicated that you had received, on behalf—and I am not certain whether that was an announcement that was made or whether the funding had flowed. If the announcement was made, the flow of the funds depends on other factors. It may be simultaneous with the announcement, it may be some other timing, but you indicated that had been received. If that had been received, it would have been charged, presumably, to that month's accounts as having flowed out of the consolidated revenue fund. We happened to pick April, which is a month in which we still have accounts open from the previous year and so—

Mr Ferraro: I understand. My problem is this: We make the announcement for essentially a new school in April 1988. They are just starting to build the school now. So there are two things that can happen: either we do not advance the money or we advance the money to the school board.

Mr Gourley: For example, in the case of the moneys which were advanced in the last fiscal year, some of those schools may have already been built. It was simply the province's share that was going through school boards at that period in time. On occasion, school boards have proceeded with projects because of the urgency and so on, and the province's share—

Mr Ferraro: Okay, let me use-

Mr Gourley: I think I should say that I am citing examples. I am not sufficiently familiar with the actual process in the Ministry of Education. I should leave it to the Ministry of Education officials to say, "This is the planning process that takes place and here is the normal procedure." In fact, they should be the ones to answer the question as to what is the normal procedure for even these advancements, what is the procedure that they set up.

<u>Mr Ferraro</u>: Let me ask you this question then. If indeed you are allocating that much money to education for capital construction and if in act, hypothetically, the school is not built until over a year later, do you actually flow the money to education?

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Mr Gourley: The school board would have the money and would be able to take advantage of the interest cost that accrues to it from the advance payment made by the province.

Mr Ferraro: The money actually flows through from the date of the announcement?

Mr Gourley: In the example?

Mr Ferraro: Yes.

Mr Gourley: In my understanding of the example you are describing to me, yes. I am not sure—in fact, I believe it is not the case in every project, but in the example you are describing to me I believe the answer is yes, that they would have the money and be able to accrue interest on that and therefore reduce the local costs somewhat.

Mr Ferraro: Okay, the second question I have is dealing with the whole idea—and I did not see it in the budget, Treasurer; I may have missed it. Part of the green paper discussion was not only on the structuring of the lot levy thing but on the allowance, if you will, and enhancement of leasebacks from developers. Is it still part of your plan to allow that?

 $\frac{\text{Hon R. F. Nixon}}{\text{encouraging school boards to enter into front-end financing of an innovative type. Maybe we should have described it a little more closely.}$

<u>Mr Ferraro</u>: My question flows from that. This type of leverage of moneys is debated not only in the private sector; obviously the government is considering it at all levels now. Do we see that being enhanced for other capital projects; for example, hospitals?

Hon R. F. Nixon: You mean lot levies?

Mr Ferraro: No. The leaseback arrangement.

<u>Hon R. F. Nixon</u>: It is possible. I have not given that much thought. Certainly people—the developers particularly—are very concerned that the concept of lot levies might be extended to include other community work, such as hospitals, which is presently almost entirely financed by funds raised locally plus our grants.

I have felt that we should not extend lot levies to those at this time, but if there is some agreement entered into by a municipality with the developer having to do with support for hospitals, I do not think that would be illegal, would it?

Mr Gourley: I do not believe so.

Mr Ferraro: What I am getting at, quite frankly, is the argument or discussion that if you spend \$100 million on a new hospital and it comes out of the taxpayers' pockets directly, is it more beneficial economically—forget philosophically for a minute—to do it that way as opposed to leasing it back from a developer, wherein you do have certain tax ramifications?

Hon R. F. Nixon: The best answer I can give you is that I do not have a philosophical objection to using innovative financing measures. The developers are imaginative and quite aggressive, particularly when they see lands that might be serviced and developed in conjunction with a growing area where the government, either locally or provincially, is not providing the assets to provide that service at a time when they think it is a good idea. They can come to us or the municipality and say: "We can put in that service. We will do it if you will permit us to go ahead with the development and there can be some sort of agreement, either a no-charge agreement—we will do it if you let us go ahead or we will do it and go ahead on your plan and—"

Mr Ferraro: But there is no mental block as far as you are concerned.

Hon R. F. Nixon: There is nothing the matter with that.

Ms Mogford: If I might add to that, I am advised that voluntary contributions would not be eligible for lot levies in the case of hospitals.

Mr Ferraro: We have seen a little more—obviously we are allocating another \$1 billion for housing from the Canada pension plan fund. Could the Treasurer expound a little bit on how that is a benefit to the taxpayers of Ontario?

Hon R. F. Nixon: When the funds accrue from the contributors in Ottawa under our agreement on Canada pension, the province from which the funds came has the first right to borrow them at a formula rate established by the government of Canada. We have turned down quite a bit of that in the past since—

 $\underline{\text{Mr Ferraro}}\colon \text{Could I}$ interrupt you for a minute? I am sorry. How does that formula rate compare with the market rate?

Hon R. F. Nixon: Sometimes it is higher, sometimes lower.

 $\underline{\text{Mr Christie}}\colon$ The formula rate is the market rate on long-term federal government bonds.

Mr Ferraro: Okay, I am sorry I interrupted you.

<u>Hon R. F. Nixon</u>: Sometimes that is a bit lower and sometimes a bit higher. The last two or three years it has been a bit higher than would have made it necessary for us to take that on, so it simply goes into the debt of the government of Canada.

If this is available to be passed on for works that we approve—for

example, Ontario Hydro has the right, if we allow it, to borrow that money; or in this instance, we are saying, through the Ministry of Housing, nonprofit—usually co—ops for housing purposes—but similar nonprofit organizations could have access to that money we are responsible for and which is made available through the Ministry of Housing. I think it gives an advantage over a commercial rate of one per cent maybe or more.

Mr. Christie: At the moment, the Canada pension plan rate would be around 10 per cent, compared to mortgage rates of 12 per cent or more. So there would be about a two per cent advantage at the moment.

Mr Ferraro: And you turned it down in the past, Treasurer, because obviously the rate is a bit higher?

Hon R. F. Nixon: Yes.

Mr Ferraro: The last question I have, dealing with this preoccupation in my head about the national sales tax, is again a general question. I know everybody is concerned about the fact that federal-provincial communication is lacking, for lack of a better word, at this point. Maybe you can comment on that.

The final question I have is: We have increased our income tax rate by one per cent, and yet I think we are indicating in the budget, as you have said, that essentially it is a consumption tax, a pay—as—you—go type of tax.

Hon R. F. Nixon: Wait. What is?

Mr Ferraro: The result of the budget appears to be that if you use something, you are going to pay more for it.

<u>Hon R. F. Nixon</u>: Yes, that is right. We try to hook it in some perceptual degree with the idea the people who use it pay for a lot of it.

Mr Ferraro: A consumption form of philosophy.

Hon R. F. Nixon: Yes, okay.

Mr Ferraro: I guess I must be very philosophical today or something, but which has more of a negative effect on the economy: an increase in income tax or a move towards consumption tax?

Hon R. F. Nixon: If you put it on sales tax, it obviously gives a spurt to the inflation rate. If you put it on income tax, it takes the money out of people's pockets and is deflationary.

Mr. Christie: It is not as inflationary as, for example, the sales tax option would be; although the income tax option has sometimes been criticized as being also a tax on savings and therefore ultimately on capital formation. So there is a balancing act.

Mr Ferraro: Do we have a fixation either way?

 $\underline{\text{Hon R. F. Nixon}}$: We are reasonably pragmatic and flexible, if those things are not mutually exclusive. I think it is wise to note in this budget that there is \$1 billion put back in the hands of the consumers by reason of the abolition of the medicare premiums. That gives some spurt to business without, in my view, being inflationary.

Mr Ferraro: Could you comment on that first part, Treasurer, on the national sales tax lack of communication, please?

 $\underline{\text{Hon R. F. Nixon}}$: There are two answers, yes and no; because I believe the communications among the treasurers and with the Minister of Finance have been excellent. Mr. Wilson convenes ad hoc meetings of the treasurers, in which we exchange views, and I have felt they have been productive and very interesting.

I was somewhat surprised when it was announced from Ottawa that the federal government was going to go forward alone and was not interested in the provinces continuing the discussions. Mr. Wilson said that after the tax is established in 1991 and mature and functioning, then who knows what would be discussed at that time.

There was a feeling of some disappointment in my mind, and general feeling of relief in the minds of many others, that we did not have to come to grips with that thing, because we have a mature sales tax system here that is quite productive. It pays a lot of our bills and, at eight per cent, is expected to return to us \$8.679 billion, which is an 11.6 per cent increase, it seems to me. So that is working okay.

I will tell you I am concerned about the prospect of another sales tax that would be a visible sales tax, particularly where people making a purchase have two rates and the funds have to be collected and sent to two tax collecting agencies and so on. There is a lot of difficulty there, but that is something the federal government has got to do in the most acceptable way possible, because up until now it has been our tax; we are here and we have been established in it since 1961.

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They have looked at this tax and said, "We need this, it is productive, we have problems with our revenue and we're going to do this." But I am quite confident that by the time the tax is collected in 1991 there will be very close communication among the provinces and with the government of Canada, so that the disruption will be kept to a minimum. In fact, that is their responsibility. It is our responsibility to assist in this and, of course, to apply the provincial retail sales tax as the last item.

Mr Ferraro: I have a final question which you might not want me to ask. Notwithstanding our concerns about the national sales tax, would you at this juncture hazard a guess or say or state that the government of Ontario would reap increased revenues?

Hon R. F. Nixon: As a result of Mr Wilson's increase in his present wholesale manufacturers' sales tax—our sales tax goes on top of that—we are getting \$35 million extra in this fiscal year. In a full year, it is about \$70 million, something like that. So wherever they raise their sales tax on items we tax on top of that—tax on tax—then of course we reap a benefit.

But the federal sales tax is going to come in at nine per cent on a broad base of goods and services. So if he were to tax haircuts, an example that just came to mind, we would not get an increase on that, because we do not tax haircuts, or drycleaning and many other services.

If he applies the tax of nine per cent to automobiles, it is actually replacing the present tax of 13 per cent; he is taking that 13 per cent off

automobiles at the manufacturers' level and replacing it with nine per cent at the retail level, and the effects are going to be largely neutral. As a matter of fact, the tax might go down a little bit. Presumably the price might just slightly move up to occupy that small bit of room, or maybe not.

Also—and this is something you and I have discussed before—the design of the federal sales tax is a value added tax, which means that businesses, although they pay the tax, will recoup that money from the next level of sale. It will be passed on to the end. Because of that, the taxes businesses pay on that basis will be reduced and there will be a substantial benefit accruing to them in that connection.

The Chairman: I have Mr Pope, Mr Kozyra, Mr Mackenzie and, if there is time, Mr Fleet.

Mr Pope: I know you have not seen it, but do your staff have any regional breakdowns of these expenditures, and could we get copies today?

Mr Gourley: I do not have them, but I will see what-

Mr Ferraro: They were given out in the lockup.

Mr Pope: I am sorry; they were not. I was there. Okay?

You indicated that \$1 billion would be put back into the hands of the consumers. Are you talking about cancellation of OHIP premiums?

Hon R. F. Nixon: Yes.

 $\underline{\mathsf{Mr}}$ Pope: You do not think that the \$2 billion in payroll tax will find its way back to the consumers?

Hon R. F. Nixon: We can argue that for a long time.

Mr Pope: Right.

<u>Hon R. F. Nixon</u>: You can indicate that any tax on business is fully recouped. I do not know whether it is or not. It might very well reduce the profits of business; that is, the other source. I think that it may be a combination of the two. All I know is that the cheque the government will receive in support of the employer health levy will be a cheque signed by the comptroller of the company. How they conduct their business otherwise is still presumably their business.

Mr Pope: You made the statement that \$1 billion would be put back in the consumers' hands. What is the basis for that statement?

Hon R. F. Nixon: As of 1 January, the people who are paying \$714 a year for OHIP coverage will not have to pay that any more. I know people like that. There are a lot of them and a lot of them are at the low-income level referred to by the Social Assistance Review Committee. Others are doctors and lawyers. I would say it includes almost all farmers. There will no longer be health insurance like that with a premium to be paid. It is a plan that is universal, which is the way it should have been from its inception and, after 1 January, it will be in Ontario.

Mr Pope: You do not think that the consequences of that will reflect on wage settlements or negotiations in any way nor in consumer prices at all.

Hon R. F. Nixon: I would not be surprised if it did, because the money for medicare, amounting to \$14 billion, is going to come from the economy of the province, no other source, other than through the federal tax, which also draws its resource from the economy of the province.

Mr Pope: How are the self-employed going to be treated?

<u>Hon R. F. Nixon</u>: The self-employed will be members of the plan, like everybody else living in Ontario.

Mr Pope: And?

Hon R. F. Nixon: And they will not pay a payroll tax.

Mr Pope: Self-employed people will not have to pay the tax at all.

Hon R. F. Nixon: That is correct. They will pay the taxes that everybody else pays.

Mr Pope: If you are an independent contractor, as most taxicab drivers consider themselves to be, self-employed, you have no obligation to pay any replacement for OHIP.

Hon R. F. Nixon: That is right, and there will not be a tax on either their fares or their tips, other than income tax, of course.

Mr Pope: They have no obligation to remit anything.

Hon R. F. Nixon: That is correct. There will be no premium.

Mr Pope: There will be a lot of self-employed people.

Hon R. F. Nixon: Well-

Mr Pope: So it is a tax on employment.

Hon R. F. Nixon: You can draw your conclusion, and I am sure I will hear about it.

Mr Pope: Dedicated funding: Maybe I will put it in a fairer context. In your budget, you relate revenue increases to certain goals. But is it not true that it is not your policy to have dedicated funding, and therefore there is no tradeoff dollar for dollar?

Hon R. F. Nixon: I think the question is good and your observation is appropriate. I do not believe in dedicated funding. The money from the employer health levy will all go to medicare, but that will not nearly cover the costs of medicare. Even when it is enacted and working properly, it will be only 16 per cent, so there is not a problem there. But it is not my intention to take that money and put it in a separate account, although it will be clearly accounted for. We will be able to tell you or anybody how much comes in from the employer health levy and how much is spent on medicare.

Mr Pope: Yes, but with respect to the transportation taxes, the new sin in Ontario, or with respect to—

Hon R. F. Nixon: It's about time we had a new one.

<u>Mr Pope</u>: —the payroll tax for health care purposes, that is not being committed to certain accounts. It is all going into the consolidated revenue fund, right?

<u>Hon R. F. Nixon</u>: That is right. Just let me say this about it, however. It is a clear commitment of \$2 billion over five years, and I have listed the revenue changes which, over five years, will put into the consolidated revenue fund the same amount of money.

Somebody mentioned how well the budget was drafted. The thing that appealed to me is that when we talk about the transit and transportation needs of the province—that is, the north, the greater Toronto area and elsewhere—and say we are going to spend \$2 billion on it, right afterwards we list the taxes which have an equivalent revenue. I think it is appropriate, because it brings to people's attention that the service and facilities are paid for through taxation and no other way.

Mr Pope: I understand that. Just two quick questions, if I may. I was told yesterday—I am not going to try to set you up on this question—by your staff that the increase in the forest management budget was basically an increase to cover the cost of inflation. Is that accurate?

Hon R. F. Nixon: I do not know whether it is or not. I can tell you what it is, and you know what that is. It is—

 $\underline{\text{Mr Gourley}}\colon$ I do not think you can find it on that. It is \$230 million.

Hon R. F. Nixon: It is \$230 million.

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 $\underline{\text{Mr Pope}}$: It was \$217 million last year, I was told, and it was going to \$230 million this year. From the breakdown within that definition, it is basically inflation provisions and that is it.

Hon R. F. Nixon: My deputy, who has the numbers here, indicated that it is a 50 per cent increase since 1984. That is getting to be quite a long time, as we both know, but it is a 50 per cent increase.

Mr Pope: All right. I would like to get to that. Thank you for leading me into that. What was the forest management budget for the Ministry of Natural Resources?

Hon R. F. Nixon: What was it?

Mr Pope: What was it in 1984-85 and what is it today?

Hon R. F. Nixon: I do not have that in front of me. We can get it.

Mr Pope: Because in your 1986 budget you indicate, "The forestry budget will increase 13 per cent to \$271 million." That is on page 533 of Hansard.

Hon R. F. Nixon: In 1986?

Mr Pope: Yes.

Hon R. F. Nixon: Oh yeah?

Mr Pope: Oh yeah.

Hon R. F. Nixon: Did we not spend that money?

Mr Pope: I am talking about whether or not it is a 50 per cent increase. I am told you are going to spend less money and purchase fewer seedlings this year in northern Ontario for reforestation than you have in five years. I am told there is going to be less road maintenance and less road construction under forest management agreements than there has been in five years, yet you are trying to claim a 50 per cent increase.

Hon R. F. Nixon: I will tell you this, Alan: I am not the Minister of Natural Resources, but I do pay the bills, and all we know is what we spent then and what we are spending now. What that buys is in a sense my responsibility, just as it is yours, but somebody else answers those questions.

Mr Pope: But you made the statement of a 50 per cent increase in your own budget statement.

Hon R. F. Nixon: Yes, but it is a 50 per cent increase in dollars; it is not a 50 per cent increase in seedlings. That is a matter which I do not understand and which I am interested in, as you are, but somebody else responds.

Mr Pope: But the forestry budget was \$271 million and you are saying \$230 million and that represents a 50 per cent increase over 1984-85. You made the statement. I am just asking you what you define as forest management versus forestry.

Hon R. F. Nixon: I do not know, because certainly if your numbers are correct that is not a 50 per cent increase.

Mr Pope: The explanation may be that you define "forestry" budget differently than you define "forest management." That is why I asked you the question the way I did.

Hon R. F. Nixon: I sort of think in terms of the forest rather than the trees, so we will have to look into that. But since you have raised the matter and it concerns me, I will certainly see that you get an accounting.

Mr Pope: The second point is this, in general terms: Your previous three budgets all spent some considerable time about the economic problems in northern Ontario, particularly the resource sector. This budget really did not. My perception is that the economic problems in the resource sector are more serious now than they were during the previous three fiscal periods, and during those three budgets you spent some time on dealing with the problems of these industries and of northern Ontario and how they were going to be addressed. The situation is worse now than it was then in terms of layoffs in mining and in forestry. There is declining mining activity in northern Ontario, and you give to new incentives in mining seven times less than you gave to the film industry.

With respect, there is a dramatic decline in the creation of new mines and in mine exploration and development up north, and there are layoffs out of the iron ore mines, particularly in Temagami and Wawa, yet we see nothing in here to address that. Five million dollars for prospecting and developing will

take care of two exploration drills of 6,000 feet each. I guess I want to voice a concern that with these massive layoffs that are going on and with these economic problems, this is the one year when you do not specifically address the issue.

<u>Hon R. F. Nixon</u>: The other problem, I think, is that the government of Canada has largely eliminated its flow-through shares program, which has supported to a great extent the sort of exploration that both of us would want to have happen.

The iron mines that are closing are doing so because those mines are depleted and the owners feel they cannot economically continue to make steel out of the ore that comes out of that, because of what is happening. It is happening in Wawa also.

These are matters that obviously concern us because they are resources that are not renewable. As we go on in the life of the world, they get used up and end up in other ways, so we are concerned about that, as well. Yet the overall economy shows the mining sector buoyant and productive and the forestry sector, particularly in pulp, as productive as it has been in many, many years.

In spite of that, we are still strengthening and in many ways reinforcing our programs with the employment opportunities that come from moving permanent government facilities, offices and jobs into the north; with the kinds of development you are familiar with, however inadequate you may feel it is; by way of transportation and other infrastructure; and, of course, with the northern Ontario heritage fund, \$30 million a year for 12 years, which is money that is shipped to the north and is spent in the north under the direction of northerners.

Mr Pope: You know it is not being spent; let's not get into that.

Anyway, how come Ontario is one of the few jurisdictions—and that is the truth—that has not moved to soften the blow of the removal of flow—through share funding provisions? Quebec has done it, British Columbia has done it and Alberta has done it. How come Ontario is lagging behind?

Hon R. F. Nixon: We have done it in some measure. We feel we cannot respond to every sort of negative initiative by the government of Canada as it offloads its responsibilities on to the province. We have a bit of time when we can consider what our ongoing responsibilities are, because the northern sector, in spite of your view, is still productive and the general employment position is good. I do not for a moment want to indicate that I am not sensitive and aware of the situation in the softwood industry and the fact that some mines have closed because they have run out of ore.

Mr Kozyra: Treasurer, it is gratifying for me, as a member of this committee, to see so many of the recommendations that the committee made to you incorporated in some way. I am not sure that is a total coincidence. I will not go over the whole thing, but I do not think it is total coincidence. I guess the most obvious was the reaction to the SARC report and the understanding from you and Mr Sweeney that almost the entire spirit of the phase 1 recommendation is captured.

The second one I would like to refer to is recommendation 12 on page 8. You do give direct credit to the committee; it is that additional \$55 million to improve quality of service in agencies providing community services. Do you have a figure on how that breaks down per person? Wage disparity was a real concern of groups before us, with respect to affecting the quality of service.

Hon R. F. Nixon: The benefits will average \$1,500 a year per employee increase. I believe it applies to the employees referred to here, up to about \$25,000 a year.

<u>Mr Gourley</u>: That is right. Treasurer, I would just make the point that that would be an average, taking the total number of employees at the lower-paid levels in those agencies. The specifics for each individual group will vary across the wide range of salary ranges. As you may know, there is a tremendous range there, so that is just an average calculation, but it illustrates the kind of impact there is.

Mr Kozyra: For clarification, that is not part of what they would expect annually as an annual adjustment; this is over and above that to close that gap?

Mr Gourley: This is a special enhancement of their salary; that is correct.

<u>Hon R. F. Nixon</u>: Also, on a full-year basis, that \$55 million comes to about \$80 million. Certainly, it still leaves many salaries in the inadequate category, but we felt this was what we could do this year.

Mr Mackenzie: In the document, the corporation tax figures you have for 1987-88, 1988-89 and 1989-90-

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Hon R. F. Nixon: Where is that, Bob?

Mr Mackenzie: Page 58. What I would like to know is if you can carve out the capital tax for us in each of those three yearly figures and give us what the capital tax amount was as against the corporation.

Mr Gourley: Do you have those data, Tom? We can get them for you.

<u>Mr Mackenzie</u>: I would appreciate that. Regarding the other question that was dealt with earlier, the total take now in terms of drivers in Ontario, you are saying it is in balance?

Mr Gourley: My answer was in response to the revenues that were identified as being raised to pay for the \$2 billion transportation capital program and that there was a balance between the revenues to be raised and the expenditures to be made, the investment to be made in that program.

Mr Mackenzie: In total, though, are we now taking in more in various taxes on drivers than we are paying out—

<u>Hon R. F. Nixon</u>: Let me take a shot at that, because it has been raised a couple of times with me. Some of the automobile clubs, most significantly the Hamilton Automobile Club, has consistently said that drivers are paying more than it costs to build and maintain the roads and they have put together what they consider to be evidence of that.

The way I look at this is not the same. I am not sure what the revenues from gasoline tax were last year, but they were about \$1.1 billion and other motive fuel taxes and licences bring the revenues up to around \$2 billion. The allocation for the Ministry of Transportation in all, capital and operation, is about \$2.2 billion. In rough terms, those two are relatively equal. I mean, they are just not bad.

I think it has to be acknowledged, though, that the administration of the Ministry of Transportation is a significant amount of money. They have to have engineers and planners; they have to hire people to drive the snowplows and so on. All that money does not go into concrete and asphalt for roads and bridges and culverts, etc.

So where the automobile association may say, "We're spending all this money on gas tax when we're only getting these many roads," I say, "You're spending that much on gas and, although it's not earmarked, the cost to me, as Treasurer, of the Ministry of Transportation is roughly equivalent."

Now on top of that we are saying, "In the next five years, we're allocating an additional \$2 billion." Once again, while it is not earmarked, in the next five years these taxes, which are new and special, will be equivalent to that amount of money.

Mr Mackenzie: I note when you were commenting on the increase in taxes of the mining industry, which will end up—I guess \$150 million is predicted for the next budget year. The word at the moment is that we will probably see Inco profits of \$1 billion: one company alone. It certainly does not seem as though you are part of the fairness question we are getting; whether it is the mining companies or the roughly \$7 billion that is profit not being taxed, or even the financial institutions, through the capital tax, nowhere near what some may consider a fair share.

Hon R. F. Nixon: I am not sure what I can say about that, other than that if you were in Sudbury, you would realize that Inco, as you mention it particularly, went through a number of years when its profits were negative and it was losing money. Under our tax laws, when they make their returns, they make up those losses as against profits this year before they start paying tax on this year's profit.

I am not sure what their status is, but it even applies to banks which make bad loans. While they may push you to the wall for your loan of \$1,500 or something, they also loan hundreds of millions of dollars in Central and South America where they do not seem to be getting their money back. After a while, they have the right to write those debts off and claim them against their profits. That is the legal justification for what you are describing.

Mr Mackenzie: During the same time that Inco was having problems, there were a lot of layoffs too. I do not see anything in society that gives the same kind of break to those workers.

Hon R. F. Nixon: No. That is right. Unemployment insurance continues, I am sure, in the minds of many people, to be inadequate, but there is a wide variety of programs that provide a safety net, and they come far short of guaranteeing the incomes of any of us. All of us, I suppose, are subject to layoff around here sooner or later.

The Chairman: We have approximately 10 minutes left, and I have Mr Morin-Strom, and then Mr Laughren and Mr Fleet, who are not regular committee members. I wonder, Mr Morin-Strom, if you could ask one question and perhaps a little follow-up and hopefully keep it down to maybe two minutes.

Mr Morin-Strom: Going back to what Mr Pope was talking about, a particular concern in northern Ontario has to be the fact that the Ministry of Natural Resources appears to be, according to the spending plans for the current fiscal year versus the year we are just starting, the only ministry to get a cut in its budget.

Why is the Ministry of Natural Resources having funds cut back, particularly at a time when the federal government is currently indicating it is not going to provide any further funding towards forestry programs in northern Ontario? How are we possibly going to be able to maintain the levels of forestry management operations that the north needs?

Hon R. F. Nixon: The numbers I have on the table on page 59 show Natural Resources going from \$527 million to \$512 million. The justification for that is that last year there was a substantial additional unbudgeted firefighting budget, which gave them, on an interim basis, that \$527 million. We are hoping we do not have to make the same allocations this year, but if we do, it will show \$552 million.

Mr Morin-Strom: Can you tell us what that extraordinary payment was and compare that with how much of a cutback we have in terms of the federal development agreement?

Hon R. F. Nixon: The extraordinary payment was \$40 million for unbudgeted firefighting. That was over and above the standard budget, which of course we undertake when it is necessary. As I say, if we have a year as bad this year as last, God forbid, then that reported number will be larger.

Mr Morin-Strom: You do not know what the federal development agreement figure was.

Mr Gourley: The \$15 million.

Hon R. F. Nixon: It is in the budget as \$15 million. We are paying our share—

 $\underline{\mathsf{Mr Morin}\text{-}\mathsf{Strom}}\colon \mathsf{That}$ is your share, but we have lost. You are not making $\mathsf{up}\text{--}$

Hon R. F. Nixon: It is reported at \$17 million more.

Mr Morin-Strom: Are you making up the federal amount as well?

Hon R. F. Nixon: That is right. It is reported here as the additional funds from the softwood lumber tax.

Mr Morin-Strom: I see. The way you have written it is \$15 million, representing Ontario's share, which to me implies—

Hon R. F. Nixon: We want the federal share. I am not giving up on that. The fact that the agreement lapsed 1 April probably means that they are not paying, but I believe people like ourselves and our federal counterparts from northern Ontario should be pushing the government of Canada to maintain that agreement, which is one of the most important regional development agreements we have.

For the government of Canada to opt out of its share of reforestation is surprising to me, and I do not like it. The fact that we are putting our \$15 million in clearly leaves room for them to come to their senses and pay their \$15 million. Meanwhile, we are putting that \$17 million in so that the budgeting is going to be maintained at a reasonable level.

Mr Morin-Strom: You indicate \$40 million on firefighting. However, they must have been cutting back in other areas, because the budget from last

year showed \$509 million as being the budget plan. In your interim budget, they spent \$527 million. That looks like only an \$18-million increase.

If \$40 million went into extraordinary firefighting-

Hon R. F. Nixon: I have interim expenditures as \$527 million-

 $\underline{\text{Mr Morin-Strom}}$: —you must have already been cutting back by more than \$20 million last year.

 $\underline{\text{Hon R. F. Nixon}}$: Some of that was budgeted for firefighting. That is additional money.

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Mr Gourley: The \$40 million was over and above the amount that was printed in the original estimates for the Ministry of Natural Resources. That figure of \$527 million represents our best estimate at this point of what was the actual cash flow for the ministry last year.

Mr Pope: Including the \$40 million?

Mr Gourley: Including the \$40 million.

 $\underline{\text{Mr Morin-Strom}}\colon \text{Although the budget was $509 million last year, it is}$

Mr Gourley: The ministry also had to absorb the two per cent cut in salaries and wages and the six per cent cut in direct operating expense and the allocations. There are a number of—

Hon R. F. Nixon: Their share of the \$540 million.

I think there are about two minutes left, are there not?

Mr Laughren: Probably. I had a number of questions, but it is tough for a country boy to work his way through these documents. On page 98 of the budget statement, which deals with municipal government finance, it states:

"The Development Charges Act will give school boards permissive authority to establish lot levies. In response to a number of recommendations, levies will apply to residential, commercial and industrial development."

Are you making a distinction between commercial and industrial development there? If so, what is it?

Hon R. F. Nixon: No.

Mr Laughren: What is the difference?

 $\underline{\text{Hon R. F. Nixon}}$: It says "to residential, commercial and industrial development." What do you have to know the difference for? It applies to them all.

Mr Laughren: You must have listed them separately for a reason; you must have listed commercial and industrial.

Hon R. F. Nixon: We could just say "all assessment," I suppose.

Mr Laughren: There was no reason for listing "commercial" separately?

<u>Hon R. F. Nixon</u>: Not necessarily. The only exemptions would be those under the Assessment Act. Churches are not included, and I guess government property is not included, but the rest of it is.

Interjection.

Hon R. F. Nixon: Yes. These are the assessment categories and they are all included.

Mr Pope: So it's the definition.

Mr Laughren: That is what bothered me. There is nothing different about this?

Hon R. F. Nixon: No. The reason that is in there is that the green paper said "residential," I believe. We consulted with a lot of people and they said, "Look, it should be over the whole thing." We thought, "We think so too."

 $\underline{\mathsf{Mr}\ \mathsf{Laughren}}\colon \mathsf{I}\ \mathsf{have}\ \mathsf{a}\ \mathsf{couple}\ \mathsf{of}\ \mathsf{short}\ \mathsf{questions}.$ Cleantario is not mentioned in this budget.

<u>Hon R. F. Nixon</u>: It will take more than this year to get Cleantario operating. I am not sure; did the Ontario Lottery Corp make a comment about that? I do not expect it to be operating and producing revenue in this fiscal year.

<u>Mr Laughren</u>: Okay. I have a question on the taxation of fertilizers. I am wondering whether you are going to include organic fertilizers and compost?

<u>Hon R. F. Nixon</u>: We would include anything that is sold that is at present exempt—that is, fertilizer or spray—that makes things grow or it kills bugs.

<u>Mr Laughren</u>: Okay. I just find it strange that you would include organic fertilizers and botanical insecticides, which are environmentally positive.

Could you tell me why you rejected a speculation tax?

Hon R. F. Nixon: You and I have discussed this on many occasions.

Mr Laughren: I thought it would be in the budget.

<u>Hon R. F. Nixon</u>: My reasons have not satisfied you in the past, but I know they will now. It is based on my experience with spec tax in this jurisdiction. As soon as the speculation tax was imposed, the number of housing starts plummeted.

Mr Laughren: Is that the reason?

<u>Hon R. F. Nixon</u>: There were so many exemptions at the time that there was even a royal commission called to examine the administration of the tax, of which I was a somewhat critical witness of the government of the day. My own view is that it was incorrectly applied, probably at the wrong time,

and did not have the results—I suppose it had the results that you would wish, with the reduction in prices, but it also cut off the building of houses. We are anxious to house people, but not at any price; and even without the spec tax, you may feel that there is a discernible reduction in the upward pressure on housing costs in most communities.

Mr Laughren: Why would a spec tax reduce housing?

The Chairman: I wonder if we could follow that up in question period, Mr Laughren.

Mr Laughren: No. I cannot.

Hon R. F. Nixon: He has, repeatedly.

Mr Laughren: Today I cannot.

<u>Hon R. F. Nixon</u>: Presumably the spec tax removes the will to build and resell to some degree. All we can do is look at the record, and there was a reduction in the following year of about 20 per cent in the housing starts.

Mr Laughren: That was the reason?

 $\underline{\text{Hon R. F. Nixon}}$: I could think that, just as you might say it is the reason the prices went down.

Mr Laughren: I would like to see your evidence there.

Hon R. F. Nixon: Maybe we are both right-

Mr Laughren: I see.

Hon R. F. Nixon: -or both wrong.

Mr Fleet: I have two fairly specific questions. One involves the employer health levy rates that are lower for certain businesses, specifically for employers who are paying out under \$200,000 in salary and benefits for their employees. It is graduated up to \$400,000 on a per annum basis. Can you indicate how many businesses are going to get the lowest rate, the half rate?

Hon R. F. Nixon: I would think that the number of businesses would be about 80 per cent, would it not?

Mr Gourley: Seventy-five per cent.

Mr Fleet: Seventy-five per cent.

 $\underline{\text{Mr Gourley}}\colon \text{Another 10 per cent will get the graduated, the lower,}$ the regular or general rate.

Mr Fleet: Okay. Thank you. My second question relates to a number of new tax measures in environmental areas. The one that was mentioned earlier was the new tax for new tires, and I think you mentioned some nine million tires in Ontario awaiting some kind of safe disposal.

Hon R. F. Nixon: There are nine million every year.

Mr Fleet: Each year.

Hon R. F. Nixon: Nothing happens to them. So we have 40 years of tires lying around.

<u>Mr Fleet</u>: In addition, you have got a tax for new fuel-inefficient cars that are sold, pesticides, extension of retail sales tax and a tax on liquor and other alcohol bottles that are nonrecyclable and nonreturnable.

You will perhaps recall the urgings that I made in the House of an environmental protection tax, and I thought that some of these measures looked remarkably similar to doing that. I am wondering whether that had any influence on you as you were preparing this budget and whether there are other kinds of measures that might be contemplated in future years that are consistent with the notion of an environmental protection tax, with the idea that we are going to tax products that are difficult to dispose of or which cause environmental problems or which lead to cleanup problems, so that we might have a more effective system of cleanup in this province?

<u>Hon R. F. Nixon</u>: Yes, I recall your questions and comments about that specifically. Of course they had an influence in shaping our view, not just because they were yours but because they reflected a view that I felt was universally supported.

I think there was also some reference to Styrofoam stuff that is thrown around the grounds of hamburger stands and so on, that it should be a taxable item, and certain other things. We looked at that. The fact that we did not do it does not mean it cannot be done, but we found administrative difficulties in moving towards that particular recommendation. But that does not mean that eventually it will not be or should not be done, because I think it is definitely sensible and recommendable.

Mr Fleet: Certainly excess packaging, Styrofoam cups, all of that stuff. I would hope that over the course of the next year, those administrative problems could be ironed out and that we could move to a broad environmental protection tax basis. I agree with you, Treasurer, I think people find that a far more acceptable basis than perhaps other kinds of taxes.

The Chairman: The comment you made in response to Mr Ferraro's question that you have no philosophical objection to innovative revenue-raising measures, I think that is a mark of this particular budget. I have heard compliments this morning coming from both opposition parties. They may have been couched in different terms from the compliments that have come from the government benches but—

Hon R. F. Nixon: I am not sure whether "clever" is a compliment.

The Chairman: In any event, it certainly is giving the Legislature a great deal of food for discussion. I compliment you on it in that respect.

I have tried to keep a bit of a running score with regard to our prebudget report to you. If you count the tax measures separately, we made basically about 26 recommendations, four of which were probably not budgetary. That leaves 22, two of which were addressed by the government prior to the budget. From my count, about 16 out of the remaining 20 were addressed in the budget. That augurs well, I think, for the communication which has gone back and forth both ways between your officials and the committee.

I thank you for the very thorough discussion that you have given to us at this time, especially right now, because it is obviously extremely important to the committee and to the Legislature. We appreciate it very much.

Mr Morin—Strom: Mr Chairman, I must raise a point of order, an objection to your editorial comment, which is clearly of a partisan nature in terms of your development of a score card. I am sure that if the opposition parties developed a score card—from my quick look at it, although I have not gone through all of them—it would appear that less than a third of our recommendations have been addressed in this budget. I think it is quite improper for yourself as the chairman to take such a partisan stand.

The Chairman: The committee can discuss this more thoroughly at a later date. We will get some material to you and we can discuss it. I am not suggesting that the 16 matters I said were addressed were fully addressed. If you want to debate that at some time in the future, we can.

The committee adjourned at 1201.

CA OM XC 75 -132

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

ORGANIZATION BUDGET

THURSDAY, 25 MAY 1989



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

CHAIRMAN: Cooke, David R. (Kitchener L)

VICE-CHAIRMAN: Pelissero, Harry E. (Lincoln L)

Cleary, John C. (Cornwall L)

Ferraro, Rick E. (Guelph L)

Haggerty, Ray (Niagara South L)

Hart, Christine E. (York East L)

Kozyra, Taras B. (Port Arthur L)

Mackenzie, Bob (Hamilton East NDP)

McCague, George R. (Simcoe West PC)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

morin-strom, kari E. (Sault Ste. Marie ND)

Pope, Alan W. (Cochrane South PC)

Substitutions:

LeBourdais, Linda (Etobicoke West L) for Mr Ferraro Lipsett, Ron (Grey L) for Mr Cleary

Also taking part:

Allen, Richard (Hamilton West NDP)

Cunningham, Dianne E. (London North PC)

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witness:

From the Ministry of Community and Social Services:
Sweeney, Hon. John, Minister of Community and Social Services
(Kitchener-Wilmot L)

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday, 25 May 1989

The committee met at 1011 in committee room 1.

ORGANIZATION

The Chairman: Perhaps we could bring the meeting to order. I can report to the committee that we have just completed a brief but rather valuable subcommittee meeting in which we discussed a number of matters. Perhaps we can open that discussion into a general discussion this morning.

I can also report to the committee that early this week, subject to the committee's approval, which may or may not be sought, I discussed Mr Sweeney's announcements with him from a financial perspective and also from the perspective of the committee's concern about ongoing cost—benefit analysis and social—economic round table, etc. I invited him to the committee. He had other obligations going to 11:15 and suggested he arrive at 11:30. I thought that might be a little late and he was going to see if he could move that time up. As far as we know from his staff, he has not been able to do that, so I do not know whether he will be arriving.

In any event, the subcommittee looked at a number of issues for the committee to consider based on the discussions we had two weeks ago. They seem to come down to two concerns. One is revenue—generating matters, including the national sales tax, but perhaps in the much broader context of all areas of provincial revenue. The second is the matter of competitiveness arising from the discussions on the free trade agreement and also from the Premier's Council report.

I think it is fair to say there was a preference in the subcommittee for the latter as something the committee could grapple with, and a number of arguments were raised. Perhaps members of the subcommittee can raise those arguments again.

Another thing that was raised was the question of whether the committee should not be more active in moving into more immediate concerns when those concerns are raised, such as particular incidents of corporate takeovers or concentration and other things our committee should be acting more as a watchdog for. There was general approval in the subcommittee that we should be prepared to tackle those concerns more quickly, if and when they occur.

Finally, it was suggested we spend some time reflecting as a total committee on what our purpose is, so as to make sure we know what our purpose is. We have been given a very wide mandate by the Legislature, albeit we have not been given a lot of time to sit while the Legislature is sitting. There was some interesting discussion about the value of this committee, particularly in a nonpartisan sense. I think this committee works particularly well when it is working in a nonpartisan sense and I would like to keep it that way.

Obviously, the subcommittee meeting has just occurred now, and that being the case there has not been time to prepare minutes for it, but I think, subject to what anybody else wants to correct me on, that is the general

overview of what we have discussed. I would like to open discussion now on any of those matters that anyone wishes to pursue further, which I suppose means that we are navel-gazing.

Mr Mackenzie: May I ask, not directly relating to that, did we get any information back from the Treasury people as to the percentage or the amount that was capital versus corporate tax? I know they sent somebody out supposedly to get that information for us when we had the Treasurer (Mr R. F. Nixon) before us at our last meeting.

The Chairman: It has not been received. We will chase that down.

Does anyone who was at the subcommittee meeting wish to pursue now any of the matters we have discussed, in front of the full committee and with Hansard?

Mr Pelissero: Other than discussion about trying to be more focused on both what we had identified as "Tax Review," and then—we may want to have a discussion around giving it a different name as opposed to "Adjustment." Those are fairly large areas of concern for a topic on which you could really go off in any direction. Maybe we should have some discussion and try to focus that a little bit.

Also, having just finished the budget and really the prebudget consultations, we need to keep in mind a time frame that would allow us to start prebudget consultations a lot sooner than we have done in the past. Certainly those two topics, tax review and adjustment, would enable us to help in that prebudget consultation in terms of tying it together, both from an aid or assistance to certain sectors as well as from a tax revenue point of view.

Then there was a suggestion—you termed it navel—gazing—what the role of the committee should be. When we, say, compare ourselves to our federal counterparts, recognizing that there are some differences in terms of their meeting every day in two panels and we meet once a week as a full committee, we may want to have some discussion in that direction.

The Chairman: Mr Pelissero's comments on adjustment: The word "adjustment" arose from the suggestion that a better or more positive word might be used such as "competitiveness." In Ms Anderson's résumé we have used the word "adjustment." It is one we have been using up until now.

The concept of looking at the federal committee, the standing committee on finance, trade and economic affairs, or even American committees is one we can do, but I am not sure, personally, that we can ever accomplish what American committees accomplish when we are living in the parliamentary system. This committee is an attempt to look at that, but it is a different system here.

Mr Morin-Strom: I think one of the concerns is how we can get a more focused agenda here. Our original mandate, going back to the select committee, was the free trade issue. That was a very broad subject that we dealt with over a period of years and issued several major reports on, of course.

However, I think some of the success of the federal finance committee, in terms of its profile, has come from the fact that it perhaps has tried to be more relevant and current by focusing on issues as they arise and attacking them immediately, providing a forum for public input and an official response from legislators in terms of recommendations to the government on current issues.

Perhaps we should be more selective and focused in the issues we take up, so I am a bit nervous about taking on, again, issues with really broad mandates, such as tax reform, as a whole subject. I think it is a difficult one for us to attack.

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Adjustment, as a whole subject, is such a broad one as well that I think we have to be more selective in it. I was the one who expressed some hesitation about using the term "adjustment" as a broad subject area. To me, the term "adjustment" has a negative connotation to it and one that implies we are only reacting rather than being proactive in terms of the role the government could have in the economy.

There is no doubt that when it comes to labour markets, those adjustments are going to take place, and that is a critical issue. However, the Premier's Council report in particular is at least some kind of attempt at recommending an economic or industrial strategy for the province. We perhaps should be looking at—I think there is some philosophical disagreement about how much involvement we, as government, should have in economic direction—a more proactive and positive view of what governments can do to help balance the economy or strengthen certain areas of the economy and support the regions or individual industries, or particular firms in some cases. I think that is a role where we could make some, hopefully, helpful recommendations.

Mr Kozyra: Along the same line, as my limited understanding of committees goes, I think this committee is unique in the sense that it has the capacity to be more proactive than many of the others. This area of adjustment allows it that type of leeway perhaps more than any other. I think too we do not have to go and reinvent the wheel. Since the strategy is laid out in broad terms in the Premier's Council report, we could use that as a basis for beginning discussion and then look at some specific things.

I look at community adjustment such as assistance to single—industry towns. It is very topical. I think one of the values of this committee is to be anticipatory in looking at things, because we in the north know now, for instance, that the lumber and sawmill industry is in great difficulty. There could be 15, 20 or 30 communities of the single—industry type affected very seriously. Knowing that kind of thing and looking at it at the time it is happening or beforehand and making those recommendations and adjustments before total collapse could be very beneficial. I think this committee is one of the few that has the ability to do so. I think that is a very important role. It is one that has yet to be carved out and fleshed out in terms of how and what, and part of it is the focus aspect, but I think it is a very dynamic role that could be played.

<u>The Chairman</u>: We also have some sensitivity to the international aspects of the problem, having studied the free trade agreement.

Mr Kozyra: Yes, that is right.

The Chairman: Before we go any further, apparently the office of the Minister of Community and Social Services (Mr Sweeney) has indicated he can be here at 11:30. Does the committee want to spend that time with him? Is it worth while?

Mr Pelissero: Sure.

The Chairman: All right. Thank you.

Mr McCague: I am not sure whether the chairman wants to take a look at the role of the committee, but I think he might give that some thought. If you felt like dedicating something to the paper, it might be helpful to us.

The Chairman: Doing what?

Mr McCague: Dedicating something to the paper as to the role of the committee, something that I would not want to spend more than an hour on, at the most. You mentioned earlier that you would not want to spend a lot of time on it.

Revenue sources is one of the ones that I—I guess I should preface it by saying that I, for one, hope this committee would not be partisan. I am not saying it is, but I am saying that if you choose subjects that are of a partisan nature, the discussion is partisan by nature.

For instance, I do not see any point in discussing the Treasurer's budget here, now that it is a fait accompli, with one exception, I think, and that is the Social Assistance Review Committee. I think we do want to know where that whole thing is going. I think a cost-benefit analysis, which we may never get in reality—it may be too difficult to do and we may never get it except by experience. It may be impossible to do that beforehand.

However, I like "Revenue Sources" and I like what is called "Adjustment" here, but I wonder about this title, "Employment in the '90s and Beyond."

The Chairman: Oh, as a title?

Mr McCaque: Yes.

The Chairman: Sounds sexy.

Mr McCague: I think that encompasses everything we are talking about on the second page. I think there are a lot of things a committee could do worthwhile work on or in. You can include the small communities; you can include the north. You can bring anything into it that really is of relevance.

My wish is that we make a contribution to the overall economy of Ontario and that we do it in a nonpartisan way and I think revenue sources are worth looking at. Employment in the 1990s and beyond is probably even more important.

The Chairman: Just to comment on two things you have said, first of all, on the issue of a cost-benefit analysis you will recall—or maybe you do not recall—that when we discussed this with the Treasurer in his chambers after we did our report, he responded very positively to that recommendation and hinted that perhaps our committee would be the proper vehicle to do it. My response was that I thought perhaps we were a little too cumbersome to do it and it should be done internally.

You will note the budget says it is going to be done by an independent body. In discussing that with Mr Sweeney, frankly, I grasped that there is some feeling that the civil service really will involve too much protection of turf to do it well and there is a thought that it should be done outside the government. That leaves it again up in the air as to who should be doing it.

On the point you raise as to my doing a paper, I would be delighted to. I really think it is incumbent on me perhaps to spend a day or two looking very thoroughly at the federal committee and perhaps reporting to you with some ideas. I will try to do that as quickly as I can.

Mr McCaque: With the normal expenses.

The Chairman: Well, with or without, frankly, I think I have to do it.

Mr McCaque: You might have to look at it first hand.

Mr Mackenzie: I am inclined to agree with Mr McCague's comments about the cost-benefit analysis we had talked about. One, I do not think this committee is able to undertake that job effectively, and two, I have serious doubts that it is going to be a very effective exercise. I think it is probably the results you are going to try to measure and probably an independent body would be the best way to approach it, but I just have serious doubts as to how effectively you are going to be able to measure. There are allowances against what you gain by getting some people off the welfare rolls and so on, if that is all a part of it.

The other thing I am concerned about is the underadjustment. Just one comment on the (a) part of adjustment: One, I am not sure we have the labour expertise to deal with that adequately, but also I think it is so broad.

I am wrestling right now with questions we have asked the Minister of Labour (Mr Sorbara) about workers' right to transfer in closure situations, in three different ones, but specifically in the Kendall plant here in Toronto, where there is a lot more information out as they start to wind that plant down this month, and by the end of next month it is to be finished.

1030

We would be into every doggone plant closure situation that we run into in Ontario, and there are going to be a lot of them unfortunately, a lot of adjustments. If you are trying to deal with that section as it is put there—plant closure legislation, training and skills development, whether or not workers are given the right to transfer to the new plant, which they are not in this case, period, not a single one—if you want to get into those kinds of arguments, you will be tied up in minute detail on every single closure.

I am not sure that (a), at least, is the route you want to go, unless you want to zero in on specific cases that have a major impact in Ontario as they happen and respond to immediate crises.

The Chairman: I heard arguments this morning, some of it in subcommittee, that the emphasis should be on (b). I heard it from Mr Kozyra that it should be on (c), so it sounds as if (b) and (c)—

Mr Mackenzie: Yes, (a) takes you into a minefield.

Mr Haggerty: Just following on Mr Kozyra's comments, there is a problem in northern Ontario and it relates to the sawmill industry. That is something I think the committee should be spending a little time looking at, in fact even making a trip to a couple of places up there to get to the basics of what the problem is. Are there tariffs on that yet? Interjection: There is a 15 per cent export.

Mr Haggerty: Yes, there is a 15 per cent export on softwood lumber. It is a problem that is causing some undue hardship to the industry and to employment in the area. Many of them are small communities that depend upon that as a livelihood for income.

The Chairman: That could be tied into making our case perhaps a little more clearly in the United States too. When I was in Oregon in February, I found that there was a mixed feeling in that state, even in the industry because some of the softwood in that state, believe it or not, is being exported to Japan. They were pressuring Senator Packwood to back off in the interests of free trade generally.

Mr McCague: Maybe Ms Hart knows, but I am not sure what kind of work the Treasury or the Ministry of Labour or whatever has done on employment in the 1990s and beyond. I guess what I am talking about is not so much fighting forest fires, but coming up with a reasonable document that does outline some of the problems of the future and some of things that can be expected, which we can get from various experts such as Treasury and others, of a demographic sort of nature.

We are heading into something here, I am sure, and we are into it now, where it is very, very difficult to get employees to do a lot of things. It may be the minimum wage, it may be others. But I happen to know of a job which is a tough job, but where for six months of the year you can make \$1,500 a week, and these fellows cannot hire anybody.

Mr Pelissero: What's it doing, George?

 $\underline{\text{Mr McCague}}$: Piling sod, a really tough job, but on piecework workers can make \$1,500 a week. They just cannot hire them, and that is what they are offering.

Mr Pelissero: Taras and I will-

Mr McCaque: Neither one of you is worth a damn.

Mr Pelissero: You may want to strike that from the record.

The Chairman: I am entranced with what you are saying. The problem with it is, how do you—or maybe we could take it on as a long—term goal and at the same time meet Mr Morin—Strom's concerns about short—term matters by intervening when an issue arises and simply giving priority to those issues for a period of weeks, months or whatever they need, and then moving back to this long—term goal when we need to.

Mr McCague: I guess what I am talking about is the committee giving some vision to what is ahead of us and not be fighting a daily battle. That is where I am coming from.

The Chairman: But you agreed that we sometimes can take on a daily battle, I think.

Mr McCaque: Sure.

The Chairman: It may be that the politics of this place are such that the only time we are going to get more time to sit is if we do take on more daily battles and pre-empt question period a little bit.

Mr Kozyra: I was going to offer a suggestion of how a broad subject, such as (a), labour market adjustment, could be approached through perhaps going onsite to some well-chosen examples of where that adjustment has been made and is working very well. I think of that because about a month ago I had the opportunity—and it is too bad Mr Morin-Strom is not here—to tour a plant in the Sault called St Mary's Paper, which to me, after what I saw, was a wonderful example of that type of conversion, of taking something that was down and out.

Abitibi Paper had—and this is no slur on Abitibi Paper—in this case let it run down. It was practically a shell and over 700 people were laid off. For the Sault, it was coming at the worst time, when everything else seemed to be shutting down.

This entrepreneur from the United States saw an opportunity, introduced a high-tech kind of process called supercalendering, saw a niche in the market for this very high-quality, high-gloss paper, did a massive conversion of something like \$200 million and also an upgrading so that almost the entire operation is computer-run—it is plugged into computers—and at the same time did a massive conversion with staff.

There were, over a two-year period, training opportunities for everyone who wanted to plug into that, and almost everyone did. When the whole thing was over, now about four years later, they are operating at a profit. Of the 700 who were laid off, all but two, in the natural process including those who were retired, have been placed and just about every single person was substantially upgraded because of that new skills development through computer work and computer knowledge.

I thought it really was a wonderful example of what could be done to take something that is down and out and build it into something that is now one of the focal points of pride and success.

I think we should identify a few like that, whether in Ontario or wherever they are, and gain that hands—on experience and see them and then perhaps make strong recommendations as to this being the way to go. Learn from the good things and focus that way. That gives some focus by the specific examples that I have seen.

The Chairman: What kind of money was spent there?

Mr Kozyra: It was well over \$200 million.

Mr Haggerty: Probably on equipment.

Mr Kozyra: Mostly on equipment. We asked about government support. They had not received any yet but were hoping they might get \$1 million or \$2 million towards their continuing skills upgrading and retraining program.

Mr Haggerty: I was just talking about tariffs; I think of the two finishing paper mills in Georgetown. I do not think they are in existence any more. Is Alliance Paper Mills up there, Mr McCague? No, I do not think they are. At one time a few years ago, back in 1958, they had revamped and brought in new equipment and new calendering machines, new gloss coaters—

The Chairman: Was this fine paper?

Mr Haggerty: No, this is the glossy paper. It is a high-gloss paper.

I remember they spent quite a bit of money there and I guess it became outdated and they just closed the doors down, but that was Alliance Paper Mills. I can imagine what they did up there in Sault Ste Marie with the new technology that is there in gloss coating, the coloured paper and different gauges and thicknesses of paper that are required in the industry today.

1040

I was looking at the area of taxes itself. There is a feeling out there right now and the editorials in the local papers are that the taxpayer is getting a little bit fed up. He is being hit by heavy municipal taxes and heavy provincial taxes and federal taxes. When you start looking at it, of every dollar that is earned by persons employed, 55 cents goes to some form of taxation.

Let's look at the American border again, where you can buy gasoline at less than a dollar a gallon compared to what we are paying over here, and you can buy tires by the same industry that is selling them there for half the price you are paying for them here, and then you get the extra \$5 shoved on to each tire now. These are areas that we should be looking at.

The reason I bring it to your attention is that I have had a couple of letters on it. People in my area will be flocking to the American side. I think I had better buy my gas there too, because when you talk about free trade—

The Chairman: I hope you dispose of your tires over there.

Mr Haggerty: —and the world market of the oil that you have to pay for and when you look at the price of it, sure, there are taxes on the American side and there are taxes out of here. But I can tell you this much: When we look at the stock market today, where I guess it is Exxon that is selling a great shift in marketing of shares, and it is going to be brought up here by the large American corporations in the United States, when we talk about free trade, I think that is what the people are looking at. They are saying, "We should be able to get the same break."

In the last committee meeting we had, I mentioned natural gas, the huge quantities that are now being signed in agreement to be exported to the United States. Here in Ontario we have Consumers Gas, I guess it is, that now wants to take over the Hearn plant in Toronto and convert it from coal to natural gas. You sit back and look at it and say, "Is this the way we should be going?" Bob, you were on that committee on Hydro before, were you not?

Mr Mackenzie: That was a long time ago.

Mr Haggerty: It was a long time ago, but in our committee reports, we said that there is no way we should be allowing natural gas to produce electricity that is going back in to heat the same home, in other words. I mean, there is no conservation in this area whatsoever. I am a little bit sceptical that this thing might go through here, that you are burning up millions of cubic feet of natural gas, for example, when electricity will do it.

When we can get it from renewable resources and from uranium, that is the way we should go. If the industry goes the way it is talking about, TransCanada PipeLines and so on, do you think it is going to service the other part of Ontario, and homes, with natural gas? No, but you are using another

source of energy that is really not replacing something that is already on the market, you are just consuming it.

Mr Mackenzie: I am not sure how it relates to what we are discussing.

Mr Haggerty: I am saying there are areas to look at.

The Chairman: I think you are arguing for talking about competitiveness.

Mr Haggerty: Sure.

 $\underline{\text{The Chairman}}\colon \text{Okay. Mr McCague was talking about employment in the 1990s and beyond--}$

Mr Haggerty: I'm tying it in.

The Chairman: Right, okay. I think I am hearing a consensus on that.

Mr Kozyra: Employment and competitiveness.

 $\underline{\mbox{The Chairman}}\colon\mbox{We could even call it "Competitiveness: Employment in the 1990s and Beyond."$

Mr Haggerty: I just saw a caption in one of the local newspapers. I could not find the article on it, but somewhere in Ontario some firm had received quite a bit of funding in research and development. They ended up selling, after they got some success with it, to a Japanese firm.

The Chairman: Just while we are diverting a little bit, I might report a little bit on when I was in the United States. First of all, before I was in the United States, I happened last summer to visit the Strathcona Paper Co plant in Napanee, which is a boxboard plant that appeared before the free trade committee with predictions that the boxboard industry would be dead, you may recall.

I went down and talked to them and saw their plant. They basically have serious problems with not the most efficient machinery there and a fear that with free trade their business will be undercut in pricing from the United States. I think they are starting to look at ways of refining their product and aiming at part of the northeastern US market.

I also visited a boxboard plant in Jacksonville, Florida called Jefferson Smurfit, I think, which is a large conglomerate. It is European—owned. I think it is Dutch—owned, but I may be wrong with the source country. They are in the process of buying up a lot of these older plants and rather ruthlessly laying people off and refurbishing the plants.

I am just giving this as information to the committee. It looked as if, in fact they even told me down there, they were looking at places in Canada to expand their empire. They are not beyond simply buying up a plant and, for competitive reasons, closing it, so they can sell the product from another plant and dominate the market.

In any event, this discussion is extremely valuable to the chairman, because I think we have pinpointed the area where the committee wants to go. I think I have got it in my mind and I hope we will now work on doing a paper back to the committee, in the next few weeks, that hopefully is going to serve as a bit of a direction for the committee.

Anything else anyone wishes to discuss? Is there any more navel—gazing to be done? I think we have done it very efficiently. I was worried when it was first raised in the subcommittee that we would not, but it has been very valuable to me.

We have invited Mr Sweeney to arrive at 11:30, so we will adjourn until 11:20.

The committee recessed at 1048.

1127

The Chairman: Mr Haggerty has raised a budgetary issue. As a result of what we discussed this morning, there are two things that Ms Anderson and I have just been discussing that we need to draft. One is the statement of purpose of the committee and the second is the statement of what I suppose would be the resolution on competitiveness, employment in the 1990s and beyond.

We will bring that back to the committee for its consideration, but having gone through that, we should be looking soon at preparing our draft budget. I do not know whether that gives us the scope to do that or not, because we have not made any travel decisions one way or another. In any event, Mr Haggerty has a motion.

Mr Haggerty: Do you want me to put it on the floor.

<u>The Chairman</u>: It is certainly a conflict for me. I think it is something that all the parties should be here for. I do not think there is any rush for it, but I appreciate the thought.

Mr Haggerty: If you can get everybody in the right mood.

The committee recessed at 1129.

1135

BUDGET

The Chairman: Welcome to the committee, Mr Sweeney. I think I can speak for everyone on the committee in saying that from the response I heard in the House to your announcement on Thursday last and your subsequent announcements, they were very much welcomed. Of course, this committee had endorsed that sort of activity.

We invite you here to expand on that in any way you wish and also, if you wish, to discuss the other areas in which the committee was concerned, particularly from a financial perspective, the idea of a cross-ministry cost-benefit analysis and the possibility of a socioeconomic round table so that we will not wait another 70 years before we attempt to reform the social security system.

Hon Mr Sweeney: Please let me begin by saying quite frankly how helpful your report was to the Treasurer (Mr R. F. Nixon). There were a number of things that happened over a relatively short period of time and your report, with its unanimity on this issue at least—I understand there were a few other issues in which that was not the case—certainly made an impact. I want you all to be very much aware of that, and let me say thank you on behalf of what we are trying to do. I do think it made a difference.

The inevitable question that has come up is how close are we, in terms of our initiative in our announcement, to what the Social Assistance Review Committee recommended. I had an opportunity, immediately before going into the House, to sit down with SARC for about half an hour and review briefly what I was going to announce then. I said to them, "I don't quite know what you really expected would happen, but how close is this?"

They said, to a person, that it was certainly within the spirit and the basic underlying principle of their stage 1. They felt that as we move on stages 1, 2, 3, 4, etc, what we have put in place is a base upon which we can build. They said: "Obviously, you haven't done everything exactly the way we said. We notice that in some cases you've done more than what we recommended, in other cases you've done less, and we fully expected that's the way the report would be received. This was a recommendation; it certainly wasn't a mandate to government."

I simply want to share with you right at the beginning that I feel we kept the spirit of stage 1, but perhaps it is even more heartening when the committee itself felt that we kept the spirit of stage 1.

The second point I would like to make is that I said very, very clearly that the primary target was families with children. You will notice, from the kinds of things we did, that is fairly obvious. I pointed out to the committee, and I tried to point out to people who questioned me after my statement, that we are obviously putting more resources on the children's side than we are on some of the other sides the committee had spoken to. Therefore, when we put the extra money in for the shelter allowance, again it is going to benefit families with children primarily. The extra money directly for the children's benefit deals specifically with the children.

1140

The fact that we can help parents who choose to to do so—and of course you realize it is a completely voluntary package—to go back to work is going to help the children as well. But we had children living in poor families as our first and foremost target. I do not want there to be any misunderstanding about that. That was a choice. Obviously, as have we pointed out, these children do not live alone, they do live within families, so anything you do to the family as a whole benefits the child.

The third point we tried to make was that the whole package fits together. It is not compartmentalized. For example, the point was made to me, "You're putting all of this money into adequacy on the one side and you're putting this other pile of money over here into the Transitions component or principle on the other side." I said: "No, that's not true. It is all of one part."

We know there are going to be a certain number of individuals and families who are going to stay on social assistance for a period of time, for any number of reasons. It could be because a person is disabled and it is going to be quite a while before he is going to get the necessary resources to be even partially self—supportive as opposed to totally self—supportive. We know there are some single parents who have very young children and we agree it is probably better for them to stay on social assistance for a time while they get their family stabilized. Therefore, the adequacy component certainly deals with those people who are now on and who will continue to be on social assistance for a period of time.

know, and the report clearly said, that those families who are currently financially destabilized, where they are looking over their shoulders all the time wondering where the next dollar is going to come from to pay for the next meal, simply do not have the psychological or psychic energy to consider getting off. Until we stabilize those families fiscally, the second component, the Transitions component, is going to be much more difficult to trigger in, even though we have put all those incentives in place.

Fiscal stability has got to be a first component. So the resources we put in the adequacy side of our response are seen to be part of a whole, and one will, hopefully, lead to the other.

I want to emphasize again that the Transitions component is voluntary. I was asked a number of times, "Now that you've got all these resources in place, why don't you make it mandatory?" I said, "The evidence from our jurisdiction and from every other jurisdiction the committee looked at was that you'll get more people lining up to take advantage of those incentives than you'll be able to serve."

That is the experience of every jurisdiction. It certainly has been the experience of ours. You do not have to make it mandatory. There will be more people wanting to take advantage of it than you will have the resources to be able to serve them. Hopefully, as you put more and more resources in place to support them, you will be able to meet that waiting list, but you do not have to make it mandatory.

The final point I would make right now is that the whole question of simplicity and fairness was considered important by the committee, by me and by staff in my ministry. The system we have in place now is so complex, so cumbersome and, quite frankly, so difficult to explain, even by people who are working on the front line every day, that we felt if we did not deal with that aspect of it we were going to be defeating. Last Thursday, again just before I went into the Legislature, I had an opportunity to meet with about 50 or 60 of our staff people from all across the province.

In response to a question Mrs Cunningham raised, I pointed this out. Quite frankly, when I explained it to them I said, "What is your initial reaction?" Literally, without taking much time to think about it, their thing was: "This gives us the tools to do the kind of job that we always believed and felt we wanted to do. The system that is there now has so many complexities in it and so many cumbersome aspects to it that we knew what we wanted to do, but we just couldn't do it and we always felt we were doing a second—best job." So that part of it is important for our own people who have to deliver this service on the front line.

I did not get a chance to talk to the people in the municipal offices, but I think it is reasonable to assume that their reaction would be similar. Therefore, that again makes it part of a whole. I do not want people to get the idea that we have three or four little bits and pieces that do not have anything to do with each other. Having said that—those are sort of the underlying principles that drove us, if you will—I am open to questions.

Mr Mackenzie: I have two short ones; one that you may have some difficulty with. First, are we going to get too hung up on the cost—benefit analysis argument and can that be effectively done for a period of time? It seems to me that we are going to have the increases and the new ability to get off the cycle in place for a while, hopefully, before we are going to be able to measure it adequately.

My second question is, are we not going to undermine to some extent the increased level of support and allowances without dealing with the question of an adequate minimum wage? I know that is not totally in your jurisdiction, but it seems to me that is one of the tools that is necessary to make this thing work. I think we risk what you are trying to do and what we obviously support without taking a more adequate look at a minimum wage that more clearly reflects need and the poverty level in the province.

Hon Mr Sweeney: First of all, in the initial stages, the purpose of the evaluation component is not so much the cost-benefit analysis but whether or not what we are putting in place achieves the results that we say we want to put it in place for. In other words, how many people are taking advantage of this opportunity? What are the obstacles that they continue to find in their way, even though we think we have removed a number of them? How much time does it take to make this thing work?

If a single mother or a disabled person comes to one of our offices tomorrow, how long is it going to take before they can actually get back into the workplace either full-time or part-time? To what extent does the business community, which in many ways was quite supportive of this, continue to be co-operative with us in helping to provide the jobs?

So in the initial stages it is that kind of evaluation. We have said if we do A, B and C, then X, Y and Z should follow. But do they? If in fact they do, then of course we continue to enhance that approach. If we find that even though we are putting these new resources and these new incentives in place nothing or very little is happening, then we have to go back and take another look. It is in that sense.

We have as a longer-term goal a cost-benefit analysis. In other words, the people will not stay on as long; they will be able to become self-sufficient in a shorter period of time—those kinds of things. We are convinced this will happen. The committee has told us that, and our own analysis from other jurisdictions again, particularly the Massachusetts experiment, indicates that that ought to flow from it. But that is a secondary part to the evaluation and it will only come three years down the road kind of thing. But in stage 1 it is the kind of evaluation that I just described and I do not think it will be interfering, therefore.

With respect to the working-poor component, the report itself very clearly says, "Be careful of putting in so much support and so many incentives to those people who are on income assistance that for those who are on the margins outside, the temptation will be so great to sort of move over."

Certainly minimum wage was a component of that.

As you probably remember, I think the description of harmonization within the report was that you move the minimum wage up and from the top you put some income supplementation in place, so that there is sort of a meeting ground here. If you do not do that, you either are going to have to push the minimum wage up so high that you start getting the negative results that we are told about, or you have to put so much support money into it that it becomes just unaffordable. So it is the harmonization of those two.

1150

I want to tell you that we argued very strongly for that and, quite frankly, about the value of a higher minimum wage. The difficulty that I had was that this whole question of income supplementation for the working poor is

in the next level. It has to succeed some changes in legislation, because we do not have the legislative authority to do some of the kinds of things we want to do now.

I want to tell you, however, as a spinoff, that it is entirely possible for some of the working poor, who are right at the margin that I spoke about, to get some of the benefits that are in there right now, as we put them in. Some of those people can be pulled in. Now, if they are prepared to go through the needs test and to be seen as being on social assistance, they can get some of those benefits. There is that element; the mechanism is there for that to happen.

The feedback we are getting is that the people who are on the margin are mostly those people who simply do not want to be seen personally as being social assistance recipients, regardless of the fact that they can get some benefit from it. So, we are not expecting very many people are going to take advantage of that.

We are dealing with a psychological wall there—we think we are anyway—because there are so many people who have always been on that margin and who have never taken advantage of even other opportunities. As you probably know, under our existing general welfare legislation, either husband or wife can be designated as the head of the family. The other person actually can be out earning a living, can have a full—time job and can still get some assistance, depending upon how much he or she is earning in that job. That can be topped up right now. That is currently in our mechanism. We do not have very many people taking advantage of that.

Now, whether it is that it is not that well-known, or whether in fact it is that psychological wall I referred to, I really do not have any way of knowing, because we do not go out and ask people that question. But you are right that we have to deal with that whole question of the working poor or otherwise some of our other initiatives can end up being self-defeating. I am very, very conscious of that and I would like to move with it as quickly as possible.

Next Wednesday and Thursday, I am going to be meeting with all of the other provincial ministers across Canada and that is one of the items on the agenda. There are two other provinces, I think it is Quebec and Prince Edward Island, that are already in the midst of doing a social assistance reform of their own. So our three provinces are going to share with all the others what in fact we have done and what we see flowing from it.

Then we are going to look at those three other items in the report: the children's benefit, the disability benefit and income supplementation for the working poor. The sense of the report certainly is that this is not something that any province should try to do alone, because it does involve folding in a lot of other programs that are already out there and, to the large extent, unco-ordinated.

Mrs Cunningham: I just wanted some clarification around the money that was put into it, the \$415 million. What is the split on that, provincial, federal, municipal?

 $\underline{\text{Hon Mr Sweeney}}$: As near as I know, it is close to 50-50, because the whole incentive, the whole initiative was designed to fit under the existing Canada assistance plan guidelines. To the best of my knowledge, there is not much in there that does not qualify under CAP. There is a little bit. So, it is not exactly 50-50; it is probably 55-45 or something like that.

Let me be very frank about it. We took advantage of every opportunity that was there to design it so that it would fit under. As you note, the committee clearly said that in their judgement, everything in stage 1 fits under the existing CAP; but because we designed it just a little bit differently, there is a little bit of flexibility there.

As you probably know, about two thirds of our existing social assistance program is completely within the provincial domain—that is family benefits—and about one third is in the municipal domain—that is the general welfare. So it is about 20 per cent of one third. I am sorry, I do not know the figure. You can do a rough calculation.

Mrs Cunningham: No, that is all right. I just wondered if we have pretty well met that objective of the 50-50 I would have expected to have.

Hon Mr Sweeney: Yes, it is not quite on, but we are as close as we can get and still design the program the way we want to. One of the things, by the way, that we are going to be discussing next Wednesday and Thursday with the other ministers is a review of CAP, because increasingly provinces are finding that they are putting programs in place that do not meet the CAP criteria and therefore they cannot get the cost-sharing.

So we are simply saying, "Look, maybe after X years when it has not been reviewed, we have to go back." I mean, the world has changed. It is the main reason why we did the whole SARC review in the first place, because the world had changed. So, we may be able to persuade them to make some modest modifications. Generally speaking, they have been good about it. I must admit I have found them much more supportive than I thought otherwise. If you can make a reasonable case, they are prepared to slip it under CAP. As a matter of fact, there are some things in there right now that I do not know how the blazes they justify having in there, but I can only assume someone said: "Look, it is the right thing to do. Let's get it in and we will worry about it later on." It is not that I feel they will resist it; you just have to make a good case, that is all.

Mrs Cunningham: Okay. You talked about the stigma. I suppose a key question would be, could people eventually be working full-time and still receiving assistance?

Hon Mr Sweeney: Oh, yes.

Mrs Cunningham: I think the answer is yes.

Hon Mr Sweeney: Oh, yes. As a matter of fact, a single mother with a couple of kids, under the present program could be earning up to about \$30,000 a year and still be receiving assistance—only a single mother with day care costs. Without day care costs, she will be able to earn up to about \$21,000 or \$22,000 and still receive some social assistance. That is because of the 20 per cent retained earnings. A lot of people said 20 per cent is peanuts, but when you sit down and actually look at a chart of the figures, you can go right out to about \$22,000 and still be getting a cheque. By that time, you are not getting a very big one.

When you then add on the potential cost of day care—I think for preschoolers, we are probably looking at a figure of around \$6,000 annually—that could take you out to the \$30,000. I am talking about only one in day care. If you have two in day care, you would be beyond that again. You could go beyond the \$30,000. As a matter of fact, I think in one of the scenarios we looked at, it could be up around \$32,000 or \$33,000.

I must share with you that when people in Treasury saw those figures, they just about went through the roof. They said, "My God." I said, "Wait a minute, we are only talking about those people who have very high day care costs." If you do not have any day care costs, you are well down into the lower end of the \$20,000s. So, the answer is yes.

Mrs Cunningham: I guess then as long as the public is going to be paying for the day care or the housing as part of the cheque, we have to be extremely efficient in how we deliver.

Hon Mr Sweeney: Both the shelter subsidy and the day care subsidy will have limits on them.

The shelter subsidy now, under our new regimen, this new program, will allow a single mother with two kids—excuse me for using that example all the time, but I said to my staff, "Look, give me something I can hang my memory on," because there are just too many categories. I cannot remember them all—I think the maximum for her would be about \$600 a month for a shelter subsidy.

One of the reasons that figure was picked is that currently about 87 per cent or 88 per cent of our entire case load is at or below that figure, and all of our maximums were calculated on that basis. You can never go to 100 per cent, because potentially you could have someone living in a \$1,500 apartment, which we just cannot afford.

The day care will be the same. In response to a question which you asked, whether the upper limits are going to be high enough so that people can take advantage of the existing system, the answer is yes. Please do not hold me to these figures, but we are looking at something like about \$3,000 for school age, somewhere close to \$6,000 for preschoolers and probably close to \$8,000 for infants.

Now, you know as well as I do that there are centres in Toronto that charge higher than that, but I can share with you that there are centres in Toronto that charge that or less, and of course once you get outside Toronto, a large number of them charge those figures. We are trying to arrive at a figure that will truly give parents an option. "I can choose to use the lady next door or I can choose to use a centre base. That is my option."

Of course, if our ceiling is, let's say, \$5,000 or \$6,000, and they buy a space for \$7,000, then the additional \$1,000 is their responsibility. We do have ceilings. That is the only way you can limit it.

<u>The Chairman</u>: I want to let Mr Haggerty have a question, at least. I do not know whether we will get to Mr. Allen.

Mr Haggerty: I was looking at page 15 of your statement to the House. It says "...the task of moving towards new legislation that will consolidate the Family Benefits Act and the General Welfare Assistance Act." I think that is a move in the right direction. I think municipalities will appreciate that more than anything.

Have you done any study on this, an analysis of what benefits there will be in this particular area? I am thinking of the Niagara region, where we have about four or five different outlets for welfare services in the region. We have the provincial one in St Catharines, a regional office there, one in Niagara Falls and one in Welland.

Hon Mr Sweeney: As I understand the history of the legislation, general welfare was in place first; then about 20 or 25 years ago the province came along and put in the family benefits as a distinct program designed for people who are on assistance for a longer term. That is why they limit it to two categories: single parents and the disabled. Everybody else is on the shorter-term general welfare. The sense at that time was that the shorter term was about two or three months on average. General welfare now is averaging closer to seven or eight months.

The second point was that there was a genuine distinction between the kinds of costs of people who were on for a long term compared with those on for a shorter term. If you are on for three or four years, the chances are you are probably going to have to buy some furniture during that time. If you are only on for two or three months, the chances are you do not have to.

There arose two different funding categories which made sense at a point in time. Today those differences do not make sense any more. You will recall that my past announcement said we are going to blend the children's benefits both at the welfare level and at the family benefits level so they will be the same. I suspect that by the time the new legislation comes in, not only will we have a single legislative arm to deal with this but many of our categories will have been blended as well. It should fit together fairly easily.

The municipalities are very supportive of this. They said they have great difficulty justifying the differences now. Quite frankly, we have difficulty justifying them.

Mr Haggerty: The other question is, as we get more persons, say a single mother or father, back in the workforce through the initiatives here, is it going to be based upon income? For example, are they going to be filing an annual income tax report? Are we going to base it on that, the same as you do with the guaranteed annual income system, if you want to get it?

Hon Mr Sweeney: Yes.

Mr Haggerty: It would cut down on the red tape. In the past it has happened where a person has gone back to work and worked the 100 hours or whatever it may be, and in that particular time and period the welfare would be almost cut off. You could have somebody who could be working for that one month. I do not want to see the problems we had before with it. Unless there is something—

<u>Hon Mr Sweeney</u>: No. The famous, or infamous if you will, 120—hour rule has been eliminated. It was done for precisely that reason. We had the crazy situation where you could have someone working for 120 hours a month at, let us say, \$10 an hour, and qualify for eligibility, and someone else working 140 hours a month at \$6 an hour, and not being able to qualify. Yet the shorter term actually had more money. It just did not make sense.

At one point in time, I gather, the rule was put in because the assumption was that as long as you are only working part—time you should be eligible, but as soon as you work full—time you should not be eligible. The obvious question raises its head. It is the total amount of money people get that makes the difference, not whether you work 40 hours a week or 30 hours a week. How much money have you got and to what extent is that sufficient to pay your bills? We have eliminated that one. It is one that should have been

eliminated a long time ago, but like everything else it probably made sense at some point in time. It does not any longer, and gradually we are trying to get rid of that stuff. You have to do it in such a way that all the pieces fit together.

The Chairman: I have not heard any bells calling us to the House, so unless anyone needs to rush away we will continue for a few minutes.

 $\underline{\text{Hon Mr Sweeney}}\colon I$ have a meeting at about 12:10, Mr Chairman, but I am okay until then.

The Chairman: Very quickly then, Mr Allen.

 $\underline{\text{Mr Allen}}$: Yes, Minister, most of it was in the spirit of the report, but I have a sense that the way the singles generally were dealt with was not in the spirit of the report. I would wonder what is going to happen with respect to the other elements of the first stage that did not get in.

There was no response to the needs of immigrant communities—sponsored immigrants, for example, being eligible—nothing for the multicultural community service delivery; nothing for the French community; the question of consolidated municipalities and unconsolidated municipalities; standardization of services across the province; making special needs mandatory and not discretionary; the elimination of a lot of discretionary elements in the system and so on, including the elements related to income supplementation in the first stage, such as extending general welfare assistance to all recipients working full—time who remain in need and the possibility of extending dental benefits to the same people; for example, a dental program for the working poor.

When are all those going to come into play, and what is the period over which you envisage or see the first stage being fully implemented? Are we talking in terms of a calendar year, are we talking in terms of a number of announcements that are going to come in the next few months and then we will see the first stage complete and move on clearly to the second? Are you working on any of the second stage now, and when will we see the beginnings of that implementation?

Hon Mr Sweeney: There are two other initiatives going on right now that speak to some of the issues you raised. The first one is an ongoing provincial—municipal review whereby we have a committee of, I believe, seven municipal representatives and four representatives from my ministry that has been meeting for about a year now. Their task has been to analyse all the existing cost—sharing programs we now have, who is ultimately responsible for them and who pays for what.

We have asked them to say: "Do you think they continue to be appropriate the way they are now? Should either the province or the municipality take full responsibility and full funding for some of those programs?" For example—and this has nothing to do with social assistance but to give you an idea of what I am talking about—the municipalities have consistently said: "We cannot figure out why we are paying 20 per cent for children's aid societies. We have really no say at all over them. We've got two or three token members on the board, but they bloody well do as they please and whatever bill they run up at the end of the year, we've got to pay our 20 per cent of it. We have these reviews. Sure, you've got a mechanism in place, but 99 times out of 100 it favours the CAS anyway, so it's really a waste of time."

They are using that as one example. They are saying, on the other hand, that there are programs where they think they would like to be more responsible, as a matter of fact maybe run the whole thing and we get the blazes out of it, and are prepared to put more of their money into it. There could be some tradeoffs there.

One of the things we are looking at obviously is the whole social assistance system. Should we turn over, as we have in some integrated municipalities, the running of the whole show including family benefits? If we do, does the province continue to pay 100 per cent of the family benefits and the municipalities pay 20 per cent of general welfare? Do we keep the distinction? Do we, as a provincial government using our provincial offices, take over the entire social assistance program and the municipalities get out of it completely and the money they have got in there we transfer to some other social program? That is all going on right now.

On the basis of that, what we think we are going to be able to end up with is a consistent approach right across the province. Whether we stay with the duality we have now or not, one of the things we will insist on is that every municipality do the same thing. In other words, some of the discretionary stuff that is in there now will have to come out. For example, as you probably know, in some municipalities they do allow 20 per cent retained earnings for a short period of time. Some municipalities, of course, have none of that at all. It is the luck of the draw. You are well aware of the whole question of supplementary benefits and special assistance grants, where some municipalities are very generous and others give zero.

I mentioned that is all part of that provincial—municipal review. My understanding is that the committee itself has pretty well finished its review. It is now in the hands of the so-called parent bodies. They have made their recommendations. I would expect that by the end of the summer or early fall we would be in a position to make some final decisions on that. The one little thing that might hold it up is that this has been a sufficiently successful activity that the municipalities are now saying to the government as a whole: "Hey, why don't we do this with all our cost—sharing arrangements? Why don't we do it with transportation, why don't we do it with environment onwards?"

The Treasurer is of two minds. He is saying, "Yes, why don't we?" and on the other hand he is saying, "My God, Sweeney, what did you start?" There may be a little bit of a hitch there. I am not sure. But as far as the relationship between my ministry and those municipalities is concerned, I think we have got something good going. They seem to be very pleased with it. Obviously they are going to try to get as much out of it as they possibly can.

I think we have convinced them that, to the extent possible, this is a zero-sum game. Neither one of us is going to end up paying a heck of a lot more money. Maybe a little here, a little there. As a matter of fact, I have given a commitment to the municipalities: "It won't cost you any more. It might cost me a little bit, but I'm telling you right now it is not going to cost any more." It has got to be pretty well zero-sum.

With respect to the other initiatives, we already have a staff complement in place in my ministry to begin working on the new legislation. As you know, there are certain subsequent stages that cannot happen until the new legislation is in place. That is already ongoing.

Third, I have told you that I have already met with some of my

provincial and federal counterparts. I am meeting with them again this coming Wednesday and Thursday and we are going to be spending at least a full half-day on this issue alone, so there is movement in that area.

With respect to all of the other things in stage one, there are two elements. First, what we actually put in place in fact cost more than what SARC costed. In some cases, when we have shown SARC the figures, they sort of gulped and said, "We didn't think it was going to be that expensive." Their \$400-million bill for stage one was really low, but of course that was the target figure in everybody's mind and I was quite happy to get it. Therefore, I had to make some choices and I think I have explained very carefully why I made the choices I did. I do not apologize for them. If I had been given \$600 million or \$800 million, I probably could have done everything. Sure, we are going to continue working on them, but sorry, I cannot give you a target for those.

The Chairman: Minister, you are late for your next meeting.

Hon Mr Sweeney: Yes.

The Chairman: I appreciate it. Perhaps we can revisit this issue later at some other time.

 $\underline{\text{Hon Mr Sweeney}}\colon \mathsf{Again},\ \mathsf{let}\ \mathsf{me}\ \mathsf{say}\ \mathsf{thank}\ \mathsf{you}\ \mathsf{for}\ \mathsf{your}\ \mathsf{support}.\ \mathsf{It}\ \mathsf{did}\ \mathsf{help}.$

The Chairman: Mr Haggerty's motion we will simply table until such time as we are looking at budget.

The committee adjourned at 1212.

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STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS
EMPLOYMENT IN THE 1990s AND BEYOND
THURSDAY, 15 JUNE 1989

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

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McCague, George R. (Simcoe West PC)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Pope, Alan W. (Cochrane South PC)

Substitution:

Lipsett, Ron (Grey L) for Mr Kozyra

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witness:

From the Ministry of Skills Development: Wolfson, William G., Director, Labour Market Research Group and Evaluation

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday, 15 June 1989

The committee met at 1005 in room 151.

EMPLOYMENT IN THE 1990s AND BEYOND

The Chairman: We are commencing this morning to look at the very huge problem and concern that the committee has been mandated to look at, and that is the problem of employment in the 1990s and beyond.

I can say to members of the committee that the title of this concern is one that has been difficult for the chair and researcher to grapple with, simply because it is so broad and to some extent vague. I think we will find that as we start to work on the topic.

Hopefully, as we start to work on the topic, we will find ourselves becoming aware of specific problems and tackling those problems as they come. It may also be the case that there will other problems and concerns that will intervene and take up the committee's agenda for a period of time, always to come back to this concern and to continue to grapple with it, and I presume, to make reports to the Legislature from time to time when we feel it is appropriate.

There are, as you can imagine, all kinds of things that need to be looked at when you take a look at employment in the 1990s and beyond. We have found out that the Premier's Council is in fact looking at this same issue at the same time and will be issuing a report, I expect, some time towards the end of 1989. We may well find that we can work in tandem with the Premier's Council, and I hope we can, in raising some of the issues. Obviously, we can deal with that report when it comes out as part of our concern as well.

The issue is a huge one. It deals with technology, research and development, education, how small firms can grapple with the changes, whether they can grapple with them as well as large firms, and matters of that nature.

One ministry we are going to have to be working very closely with is the Ministry of Skills Development. I do not know whether you have it in front of you, but you have received previously the document Adjusting to Change: An Overview of Labour Market Issues in Ontario. There are a number of similar, excellent documents that have been produced by the Ministry of Skills Development. I believe you have in front of you a briefing on this document, and also The Training Decision: Training in the Private Sector that has been done by Ms Anderson, which will give you some assistance this morning in dealing with the issues that are raised here.

We have with us Mr William Wolfson, who is the director of labour market research and evaluation for the Ministry of Skills Development and one of the primary authors of the initial overview document. I believe he had some input into the other documents as well. Is that correct, Mr Wolfson?

Mr Wolfson: I have been in my position about a year now, and I guess I inherited most of the Adjusting to Change document. The Chairman: It is a year old now.

 $\underline{\text{Mr Wolfson}}\colon$ It is close to a year old now. The other document you referred to was done under my tenure.

The Chairman: I wonder if you could update us on the overview document, give us some other insights into some of the concerns that you see the province facing at this time and entertain some questions from the committee.

1010

MINISTRY OF SKILLS DEVELOPMENT

Mr Wolfson: I think it is very timely that you undertake this task. There is much change going on in the labour market. The chairman has alluded to this, but what I would like to do is make a presentation to you around the document Adjusting to Change: An Overview of Labour Market Issues in Ontario. I would be quite happy to entertain questions during or after the presentation.

I guess I should warn you that as an economist, I may have three answers to every question or perhaps no answer at all, but I will certainly do my best. Let me give a presentation first of all on what we have been calling the adjusting—to—change issue in Ontario, the issues facing Ontario in terms of labour market adjustment.

The way I have structured this is to first look at the recent economic performance in Ontario, then to talk about industrial restructuring and technological change and finally a little crystal ball gazing in terms of what the future demand and supply of labour will look like in Ontario.

Let's first take a peek at the past. We are all well familiar with the growth patterns in the Ontario economy and the very substantial decline in unemployment rates we have enjoyed over the last few years; it is now down close to five per cent. This has come about because of very strong growth in the economy. The gross domestic product growth rate is quite substantial. The labour force growth rate has remained relatively constant and positive. But the employment growth rate has risen substantially in an inverse relationship to unemployment falling; really a reflection of very strong growth in Ontario's economy.

The 1988 statistics as compared to 1983 are quite instructive when they are broken down a little bit. You can see that the unemployment rate has fallen in half in terms of the total unemployment rate. For some age groupings we have what might be viewed as virtually full employment. Prime age males, aged 25 to 44, have a 3.8 per cent unemployment rate. Generally speaking, female unemployment rates do exceed male rates and that is an issue that is probably well known to members. The unemployment rates of youthful workers or youth are typically higher than those of adult workers.

The Chairman: Has the gap between male and female narrowed at all?

Mr Wolfson: I believe it is beginning to narrow. You would have to take a look at those statistics. I have not done the ratios in my head—I do not think I have a slide on that—but I think that over time, improvements are being made in that relationship.

We are well familiar with the fact that growth rates, unemployment rates and economic performance are not evenly distributed across Canada. This is also true for Ontario. There are a lot of numbers on the slide. I will perhaps focus for the moment on the last column which reflects unemployment rates in 1984 and 1987 in regions of Ontario. Every region has enjoyed improvement, but I think the message in this slide is that unemployment rates are not equal across Ontario and that we do have higher unemployment rates in the north.

The Chairman: That has been a pattern all through the decade?

<u>Mr Wolfson</u>: This has been the pattern for many years. Yes, this is a consistent pattern. Another measure of performance of the economy and intensity of unemployment is average duration of unemployment. We have broken that down here by age groupings and taken two years—1983 and 1987 on this slide—and you can see that for all age groups and for the total labour force there have been quite substantial improvements in the average number of weeks an individual is unemployed.

There is a message here as well, however, and that is that average durations for older workers are indeed higher than the average for the labour force as a whole, which may be a signal of an issue you might wish to consider at some length later on.

It is typically thought that youth have some of the most difficult problems making the transition from school to work, and this is certainly true. In this group of youth are young people who are what might be called the hard core, the difficult to serve, and certainly the Ministry of Skills Development has put in place over the years a number of programs to deal with that group. The message of the demographics which I will be talking about later, and the message perhaps first signalled in this slide, is that maybe the problem is beginning to shift to another age cohort.

Let me talk a bit about the youth market because I think it is important to understand what has been going on there. This is quite a long-term look at the youth marketplace, I guess a 10-year or 11-year look at what has been going on. Of course, there were very substantial and high youth unemployment rates in the early 1980s. They have been steadily declining through the 1980s. The recession in 1982 really hit youth very hard. The employment growth rate on an annual basis became negative at that period of time, but it has been growing, and as it has the unemployment rate has fallen.

Mr Haggerty: Just on that point, it is hard to pick out the numbers there. Is it 1978?

Mr Wolfson: Sorry; I apologize. We are starting at the bottom with 1976 and we are going through—I guess this slide is 1987. If we had 1988 the trends would in fact be continuing.

Mr Haggerty: You do not have anything beyond 1987 for your forecasting in this particular area?

<u>Mr Wolfson</u>: I will be doing some forecasting a little bit later on in the presentation. If you want to come back to this, I have some other materials I could present on the youth labour market, if that is desired.

The Chairman: May we have copies of the material?

Mr Wolfson: Yes, I would be happy to provide that.

There is another important message, though, about the youth labour market and what has been going on there, and that is really contained in the bottom two components of this slide. We are familiar with the baby boom and the baby boom bust that follows, and that is really reflected here in the green line with quite a negative slope. This is the youth population growth rate, which is now negative, youth being, by the way, defined as individuals aged 15 to 24.

It turned negative in the early 1980s and yet the labour force continued to grow up until the recession and indeed after the recession. This is because there has been pretty much a steady increase in the youth employment participation rate; that is to say, the percentage of the cohort that wished to be in the labour market. In the past, the rise in this participation rate has overwhelmed the decline in the population and so the labour force has grown.

It is only with 1988, 1989 and onwards that the reverse will be true. In 1988, the youth labour force for the first time did start to decline. This demographic has been there for a number of years. It has been pushing its way in the labour market. In the past, it has been somewhat masked by this increased participation rate. In the future, however, it appears that it is going to be the reverse, that the youth cohort will be a smaller component of the labour market.

1020

We look now to what has happened in terms of output and employment in the economy overall. We have broken this down by sector. These are average annual rates of growth in employment, output and productivity, which is really the relationship between output and employment, from 1980 through to 1987.

Employment, on an annual basis, has grown by 3.7 per cent. Output has grown by 6.2 per cent. Labour productivity on average has grown by 2.5 per cent a year, but you can notice that the goods producing sector has shown the greatest increases in productivity and perhaps not quite the same percentage increases in employment.

We are well familiar with the statement that it is the service side of the economy that is growing the fastest. That is certainly borne out by the slide. It is growing the fastest. But the productivity gains are smaller in that sector.

Something is going on behind the scenes in terms of productivity and change and labour adjustment, and it might very well be signalled by this. There is a lot of adjustment and change in the goods producing, the manufacturing sector. It is a requirement by law that firms that lay off or close down involving more than 50 employees must report that to the Ministry of Labour. We do have some statistics on the downside part of industrial restructuring as provided by the Ministry of Labour. This is not the entire picture, but it involves, as I say, firms with more than 50 employees.

You can see that except for the recession in 1982, which stands out like the proverbial sore thumb, there has been a consistent degree of change in the goods producing sector year after year. Statistics for 1988, which are not on the slide, are roughly the same; the same kind of numbers. Around 13,000 employees were laid off.

The Chairman: In goods produced.

<u>Mr Wolfson</u>: Sorry; I apologize. The proportion in the manufacturing sector—this is the second piece of the puzzle. This is the total of all firms. The bottom is the proportion in the goods producing sector. By far the greatest percentage, over 80 per cent, are in that sector. There is a good deal of restructuring going on, a good deal of change in the marketplace. As some firms grow, other firms decline.

The Chairman: Why did we do so well in 1986?

Mr Wolfson: You are referring to the bottom part here?

The Chairman: Yes.

<u>Mr Wolfson</u>: This just reflects that fewer of the adjustments occurred in the manufacturing sector that year. The bottom is the percentage of the total that occurred in the manufacturing sector.

 $\underline{\text{Ms Hart}}$: Is it possible to move that screen over? Your body is in the way, so I cannot really see.

Mr Wolfson: I can try to put it over—is that better, if I stand back here?

Ms Hart: I meant the screen, so that it is aimed-

Mr Haggerty: Put it on a slant.

Mr Chairman: So they can see the screen.

Mr Wolfson: I would be happy to try.

Mr Haggerty: And up a little bit.

Mr Wolfson: Is that better?

Mr Haggerty: Project it up a little higher.

<u>Mr Wolfson</u>: Unfortunately, this is as high as it goes, unless we have a book. Does anyone want to volunteer a Hansard or something?

The Chairman: Would it help if some of the members moved over here, as the seats are not being used?

Ms Hart: I think we are okay.

Mr Wolfson: Is that preferred, then?

The Chairman: I guess it is all right. I am not seeing any anguish.

Just on the question I was asking, what that chart showed was a larger proportion of service sector layoffs in 1986 than was the norm and a smaller proportion of manufacturing. Is there any particular cause of that? Is there any particular industry that had a blip there of some sort?

<u>Mr Wolfson</u>: I do not have that at my fingertips. If there is some desire to try to find more information on that, I could undertake to do that, if you wish.

The Chairman: I was just curious.

Mr Wolfson: It might be useful to spend a moment thinking conceptually about what is going on behind this restructuring process. This is an attempt to try to capture what is really transpiring on a worldwide basis. Ontario is a very open economy in the sense that much of our activity involves imports and exports, and we are therefore subject to what is happening in international markets.

This attempts to portray the process of competition and evolution in those markets. At the bottom, we have the less developed countries which have an advantage in the production of goods which are very labour intensive. Their wage rates might typically be one tenth of ours. They then capture the marketplace in international terms in relation to products which are labour intensive

The newly industrialized countries are beginning to carve out a niche in capital intensive and labour intensive kinds of activities. Automobiles and steel are examples of those, pushing the more developed countries—the Organization for Economic Co-operation and Development countries, including Canada—up into the more high-technology market, what might be called knowledge intensive and capital intensive kinds of activities; aerospace, computer software and so on.

The Premier's Council—the chairman made reference to that at the top of the session today—in its first report had what I thought was a wonderful quote. I paraphrase it because I do not have it precisely in front of me, but in essence the Premier's Council was signalling that more and more of Ontario's wealth would be found between our ears rather than beneath our feet. I believe this kind of conceptual paradigm for what is going on in the international marketplace is really entirely consistent with that Premier's Council viewpoint.

It is also useful to take a look at the implications of that kind of model in terms of technology, technological process and the implementation thereof. In the Adjusting to Change report, there was a chart drawn from another study that spoke about the expectations of business around the kinds of computer—based technology it would indeed be introducing in the future, as compared to the past.

I think the message in this slide is really captured in the first two lines. We are all relatively familiar with office automation: word processing, office networking and so on. In 1980 to 1985, this was the predominant use of computer technology, but it is going to fall as a percentage of applications, to be replaced by a considerable expansion of the introduction of technology on what you might consider to be, colloquially, the plant floor: computer numerical control, computer—assisted manufacturing, computer—assisted design. There is going to be a substantial increase in the introduction of technology in the plants.

1030

It is quite interesting. I personally visited about a month or so ago the IBM headquarters and plant in Don Mills. The officials there took us on a

tour and talked about the rather major change in the process that has been introduced in their plant, where much more of the decision—making is being pushed to the plant floor, where the equipment and technology is being put in in terms of the manufacturing process, computer—based kinds of equipment; the plant floor technicians now have a far wider range of decision—making, and therefore competency is required in order to fulfil their jobs.

That really leads to the next important point in the evolution of this presentation: What is going on in terms of the labour market on the demand side as the result of this international competitiveness, technological change and industrial restructuring?

More and more, multiskilling is becoming the predominant pattern. Those workers on the plant floor in IBM are different in terms of their requirements and competencies and capacities than those who were there 10 years ago. Increasing skill requirements for most occupations, the average levels of reading and writing, interpersonal skills, numeracy skills and computer literacy skills are becoming more and more important for all workers. Where deskilling occurs, there might be some displacement of workers, some movement towards part—time work.

The impact suggests that in the future there will be increased demand for managers, scientists, engineers, the folks who are involved in implementing this technology: engineering technologists, technicians, systems analysts, all the skilled trades.

The analysis would further suggest that the market will not be as bright for unskilled and semiskilled workers, whose jobs are going to move into a different kind of mode. The skill levels required to produce them or to do them will rise.

We already a have sense of what is happening to the marketplace for clerical workers: bookkeepers and accountants and tellers and so on.

One of the tasks of the labour market research unit of the ministry is to annually take an assessment of what is transpiring in the labour market, to take a focus on where our occupational shortage is emerging; we did this as part of the Adjusting to Change document. It is a relatively sophisticated process of using a lot of sources of data, including materials provided to us by our colleagues in the federal government. I shall not go through the sources. What I would just like to do is indicate to you where the shortages are, and I think you will see that they are consistent with what the conceptual model suggests might be happening in the marketplace.

In the appendix, the report has 159 occupations which are in short supply. In fact, they are concentrated very much in the areas we predicted they might be, in the areas where demand is now shifting: the engineering technologists and technicians; the folks who are involved in computer applications; the skilled trades—tool and die makers, machinists, mechanics, welders, fitters, machinery and equipment assemblers and so on; construction trades. The service sector, health care, chefs and cooks, are there, but they are certainly not the predominant ones on the list.

Mr Pelissero: When you talk about and identify construction trades—Let's use the roofing industry as an example. A constituent of mine who runs a roofing business has led me to believe that, for example, in Alberta that is a recognized skill where there is an apprenticeship program for it, yet here in Ontario we do not recognize it as an apprenticeship

program and maybe all the things that go with it. Farther down the road, it is nice to recognize a skill, but if there are no corresponding penalties for individuals either not being properly trained or given proper certification—I am thinking of a situation in the Hamilton area where they were attempting to license pipefitters, air—conditioning technicians, etc. There are both ends of those scales. How does an industry such as the roofers go about becoming a recognized apprenticeship program trade?

1030

 $\underline{\text{Mr Wolfson}}\colon I$ am not the expert in apprenticeships, so I speak with only some authority here, but not all.

Mr Pelissero: Maybe you could just take that and feed it back in.

<u>Mr Wolfson</u>: There is a process whereby there can be an evolutionary mechanism to do that with the apprenticeship branch of the Ministry of Skills Development.

The Chairman: Before you get into that, are you finished?

Mr Wolfson: No, I still have some to go.

Mr Pelissero: I just want him, maybe in the back of his mind, to be thinking about a couple of things as well: the impact of the federal government's decision around unemployment insurance, its statements as recently as either yesterday or today saying it expects the private sector to double the amount spent on training, and if it does not do that it will legislate that, as well as the impact of the national sales tax—I think it was the C. D. Howe Institute that said it was going to have a negative impact on the service sector—and the kinds of things we need to be doing here in the province to try to negate that negative impact.

Continue, but I would like to spend some time talking about those two things when you have finished your presentation.

 $\underline{\text{Mr Wolfson}}\colon$ The final piece here is to begin to look at the future in terms of the supply of labour.

We are well familiar with the demographics, and that is what this slide is attempting to portray. This is population growth rates on an annual basis, past, present and future. You have the 1970s, the first of the 1980s and the following 10 years, 1986 to 1996.

The youth population is going to fall. The middle cohort, the baby—boom cohort, increases and gets older. The older population is growing quite substantially. That is really the message of these three bars.

Mr Haggerty: Does that projection take in the new immigrants coming
in?

<u>Mr Wolfson</u>: Yes. The population projections really are based on our colleagues in the Ministry of Treasury and Economics. It is a sophisticated exercise of trying to deal with immigration flows and predicting those.

Mr Haggerty: But that is included in that graph.

Mr Wolfson: That is included, yes, the best guess as to those flows.

<u>The Chairman</u>: Excepting the immigrants, the colour bars there are basically trying to follow the actual people.

Mr Wolfson: The colour bars are trying to give a message that the youth population is going to fall and the population is indeed getting older. The 45-to-54 group, as a percentage here, is going to rise substantially as it gets into the 65-plus over the years. I think that is really the message here.

 $\underline{\text{Mr Haggerty}}\colon \text{Is there a similar incidence taking place in other developing countries, such as Europe?}$

Mr Wolfson: Yes. The United States, I believe, has the same kind of message, and other European countries.

If you put this population profile in terms of the labour force, the next step is that you would take a look at the labour force participation rates; that is to say, the proportion of the youth cohort, the proportion of the 25-to-44 cohort and so on that is looking to participate, to be in the labour market. The black bars everywhere are 1975. The blue is 1986, and the red is a prediction for 1996.

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We have males and females. The message here is that through early retirement and so on, the male participation rates will likely continue to fall in the future. We are well familiar with the increasing participation of women in the labour market, and the prediction is that that will continue to rise in all of the age cohorts. However, if you put together a situation in which because of the demographics there are fewer youth entering the labour market, and because our population is getting older on average there are more exiting or withdrawing from the labour market into retirement and so on, even despite the increasing participation of women we get quite a marked shift in what is going to happen in the labour force.

In the 1960s, the labour force grew roughly three per cent a year; in the 1970s, 3.6 per cent a year; in the 1980s, two per cent a year. The prediction now is for very, very slow growth in the labour force in the 1990s, 1.3 per cent. We are very clearly moving from an era of labour surplus in the early 1980s, compounded by the recession, to an era of labour shortage. That is the message, it seems to me, that is coming from this kind of slide.

As you might expect, in terms of the age composition of the labour force, you can see that the youth component will fall. It makes a lot of sense because, as I said earlier, the youth cohort is falling in terms of its size and we are going to have a substantial increase in the share of the labour force taken up by older workers.

Further and finally-

 $\underline{\text{Mr Pelissero}}\colon \text{My preacher says that on Sunday and then he goes another 20 minutes}\,.$

Mr Wolfson: It is the last slide. You can time me. It will not be 20 minutes, I promise. The male-female composition of the labour force will continue to shift and change. The female component will continue to change and increase. The labour force will come closer and closer to a 50 per cent split between men and women.

That finishes my formal presentation of the document Adjusting to Change: An Overview of Labour Market Issues in Ontario. I would be quite happy to answer questions.

 $\underline{\text{The Chairman}}\colon \text{Could}$ you please have a seat to assist Hansard? Then we could engage in a discussion.

Mr Pelissero: How does Quebec compare? Have you done any studies or looked at any studies of what Quebec has undertaken in the same kind of area?

Mr Wolfson: I do not have that with me. We have not formally looked at their situation in terms of the demographics, but typically what you find are similar kinds of patterns across Canada.

Mr Pelissero: Might that be one of the reasons they are trying to encourage families, via a tax credit or tax—

<u>Mr Wolfson</u>: One of the things I am aware of, as I recall, is that some of the predictions on the demographics in Quebec suggest a somewhat slower growth rate of its population in comparison to others in Canada. There is some concern about the percentage of their population in relation to Canada's total. I guess there are some decisions that have been made to try to reverse that trend.

Mr Pelissero: Do those pie graphs show both skilled and unskilled labour coming into the market?

 $\underline{\mathsf{Mr}\ \mathsf{Wolfson}}$: That was the total labour force that was being portrayed there.

The Chairman: I have a supplementary to what Mr Pelissero is saying. It has been suggested that our situation—I was going to say problem, but it may or may not be a problem—is more acute than that of other countries in the OECD, in that our labour force in total is ageing more rapidly.

Mr Wolfson: I do not have those statistics with me today. We could undertake to do that, or perhaps your researcher could.

 $\underline{\text{The Chairman}}$: Ms Anderson was at a conference where that was alluded to recently.

Ms Anderson: Yes, that the proportion of baby boomers in Canada of the total population was the highest of almost all industrial countries and there was an implication that that would require more of a structural change for Canada than for Europe or the US.

<u>Mr Wolfson</u>: The issue there, of course, is the issue of redeploying older workers. I think that is really what is being underlined here in terms of this discussion. Older workers typically have a longer tenure with a particular employer. Typically, it is a long time since they were in any kind of educational setting, so that retooling or reskilling is a bigger challenge perhaps. I think that really is what you are alluding to when you talk about that as being an issue.

I might add that in terms of what we talked about earlier in relation to the considerable change in the manufacturing sector, we find that workers in the manufacturing sector are on average older than in the economy in general, so they are therefore getting hit a little harder in terms of the

restructuring process; on the other hand, they might be the ones who are a little less amenable to skilled readjustment as being an answer.

Ms Hart: I think it is a commonly held view that we are losing manufacturing capacity to developing countries because their labour costs are lower, although I have been doing a little reading lately and find that some of those developing countries are doing a whole lot better than we are in research and development and also in training. Are we looking at what places like Singapore are doing, and how is it coming out in your report, or is it?

<u>Mr Wolfson</u>: That was the conceptual framework I put up that suggested that the commodities which are very labour intensive are going to have a tendency to flow towards those countries which have very low wage rates. Commodities which require both labour and capital, where there are some opportunities to use some smarts—in computer technology, for instance, if that were to be implemented—would give us the advantage. If labour is expensive but very productive, then you have the capacity to compete.

 $\underline{\text{Ms Hart}}$: Except that all recent studies say that that is not enough; it is not just their wage rates that are causing those products to be made there.

Mr Wolfson: Yes. It is their productivity.

Ms Hart: And their research and development. They are doing a lot more on photovoltaics, for example, than we are, and there are many others. Just 10 years ago we used to make microwave ovens; now they are all made in Korea. They did not make any 10 years ago, and that is because they are training their people as they go along. We sound pretty complacent when we say we will just add a little knowledge component. I do not think that is the answer. It has to be more complex than that. Have we been looking at that?

<u>Mr Wolfson</u>: The ministry has made efforts to get a sense of the extent of training and investment in people that corporations are undertaking in the economy, and just recently did the survey of training in the private sector and the decision to train or not to train that the chairman alluded to. What we found in that survey is that there is certainly a lot of short-term training by employers in response to the kinds of competitive pressures you are talking about, and a lot of investment in people in terms of assisting them to do their jobs. I guess there is a bigger challenge for the private sector in longer-term training. I think that is one of the messages that came out of the survey.

Ms Hart: I am not hearing an answer to my specific question, which is: Are we looking at what other governments are doing in terms of training?

Mr Wolfson: Yes.

Ms Hart: Such as Singapore, Korea and Japan? What are we doing?

<u>Mr Wolfson</u>: I believe the policy branch of the ministry is doing that kind of review. I do not have the information with me. We are the labour market experts, not the training component of the ministry.

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 $\underline{\text{Mr Pelissero}}\colon \text{Two areas. Given some of the charts you put up, the first is: Will we have to reconsider the age of 65 for retirement purposes? I$

look to even the service sector where a major fast food chain is starting to depict "seniors," enticing them back into the workforce. Is that something we are going to have to take a look at?

 $\underline{\text{Mr Wolfson}} \colon \text{Mr Chairman, is that a policy question that a poor old civil servant can find a way to duck?}$

The Chairman: It may be to a certain degree in that it is rhetorical, but I think perhaps you can address it. Whether it is a problem—

<u>Mr Wolfson</u>: I think you have put your finger on the issue: The message here is that we are getting to a situation of very slow growth in the labour force. There is therefore going to be more and more reason for employers to look to alternative sources of labour, such as seniors, and that is the kind of thing one might expect to happen.

One might also expect employers to be more creative in trying to encourage women who are currently at home to re-enter the labour market, perhaps by offering support in the way of day care or things of that sort. It seems to me there are going to be more and more pressures to be innovative to encourage labour to participate.

 $\frac{\text{Mr Pelissero}\colon}{\text{it is nice to set up programs, say, for large manufacturers in terms of training, etc, the biggest criticisms I receive from small businesses are two things.}$

The first is: "The programs we may want to implement we can't fit into, and because we don't fit into the nice neat little columns that either the Ministry of Labour or the Ministry of Skills Development has, we just don't even bother applying."

The second one is that our educational system, from a technical and skills point of view, whether it is machinists or mechanics, is not producing the type of people—They feel they are anywhere from five to 10 years behind what industry is doing.

Given that scenario, how do we get necessary dollars and cents or encouragement to the small business person to train someone? On the other hand, we have programs that say, "If you either have a certain background or are of a certain minority, then you can fit into the program, but if you're of a different background you can't apply." How do we encourage small business to do the training without setting up a large bureaucracy it has to follow?

Mr Wolfson: A couple of things occur to me in response to that. One of them is that the ministry has established a consulting service. Ontario's Skills Development offices, run through all of the 22 colleges of applied arts and technology, offer a service to all businesses in terms of developing a human resource plan and a training schedule for their staff. Indeed, there are some incentive dollars available to firms to undertake training. This is available to small businesses across Ontario.

One of the issues you touched on also rings true to me: the issue of encouraging young people to consider some of the skilled trades and apprenticeships as viable career opportunities so that there will be a greater supply available to business—small business, large business—of those kinds of trades.

If you want to take a moment, I can elaborate on a very interesting attitude study that was done in the Kitchener-Waterloo area that indicates a real conundrum, a real problem in trying to "sell" the skilled trades as viable career opportunities for young people.

Mr Pelissero: The chairman might be interested in getting into that.

The Chairman: I think this was a professor at the University of Guelph, was it not? Perhaps the committee would be interested in hearing from them. My recollection, and you can correct me, was that the survey involved both high school students—

Mr Wolfson: And their parents.

The Chairman: And the overwhelming majority of students thought the apprenticeship system was a very great thing, they thought apprentices did very well in life, they thought apprentices eventually made a lot of money, they thought apprentices had prestige. Then the final question was, "Would you be interested in becoming an apprentice," and overwhelmingly the answer was no.

Mr Wolfson: Precisely.

The Chairman: When he was explaining the survey to us, the professor seemed to be coming to the conclusion that they were getting the wrong message, perhaps from guidance counsellors in high school. There was some suggestion, at least from the industrialists in the audience, that that was the case, that there was too little hands—on awareness of apprenticeships, there was too little in the way of role modelling for the students, so that they ended up wanting to be teachers and other professional people.

In the group I was in when he was talking about it, a guidance counsellor responded by saying it is not their mandate to actually push people into anything in particular, they are simply supposed to be—

Mr Wolfson: The other interesting piece in that is really what appears to be the influence of parents on young people. There was a question in the survey: "What will you do when you leave high school?" Actually, there are a couple of interesting points on this one. "I'll go to a college or university." Seventy per cent said that is what they expected they would do. "I will go directly to the labour market and get a job," 10 per cent; "Become an apprentice," four per cent; or "Don't know," 16 per cent.

"What do you think your parents want you to do?" "Go to college or university," 75 per cent said. "That's what my mom and dad want me to do." "Go directly to the labour market and get a job," six per cent, "That's what my parents want me to do"; "Become an apprentice," three per cent; and "Don't know," 16 per cent.

This is now the survey of parents: "When your child leaves high school, what do you expect he or she will do?" "College or university;" 85 per cent said, "That's where my kid is going to go." "Become an apprentice," only four per cent.

It would appear that a good portion of the expectations are being established by parents on their children. Kids are getting that message; almost all of them. The parents say 85 per cent and the kids say 70 per cent want to go to college or university.

Of course, the reality is that far fewer in terms of percentages in fact go on to colleges or universities. Two thirds of young people go directly from school to the labour market. There is a wide gap in the expectations of parents, and indeed of young people, as to what the future brings.

Mr Pelissero: Did you say two thirds went from high school-

Mr Wolfson: About two thirds of young people go to the labour market directly from secondary school. Now, some of them will go back—

Mr Pelissero: Okay.

<u>Mr Wolfson</u>: I noticed on the desk up there was a recently released report by the ministry. It is called Transition Patterns, as I recall. There is a very interesting chart in that that gives you the flow of young people through the system. You will see that it is about two thirds.

Mr Pelissero: So some may enter the workforce after high school for two or three or four years and then go back, either as a full-time—

Mr Wolfson: Or part-time.

Mr Pelissero: --or as a part-time night school student.

Mr Wolfson: But still not a large percentage does that.

The Chairman: In fact, the industries in my area tell me that most of their apprentices come from other jobs, they do not come from high school. Some of them do not even look to high schools any more; they are looking to people who have gone into the labour market and been unhappy with their jobs and then have turned to the apprenticeship programs and in essence have wasted several years of their lives maybe, which is sad.

It might be that the committee would be interested in hearing this professor.

Mr Wolfson: It is an excellent report.

The Chairman: I cannot recall his name, but I am sure I can find him, because it is quite revealing.

Mr Wolfson: Professor John Walsh? University of Guelph?

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The Chairman: Yes. It is quite revealing, and I think it is of assistance to us too as a committee, in that we have heard a very strong presentation in our prebudget deliberations from universities as to why we should be allowing them to expand because of the demand, yet that demand does not seem to be there for community colleges. Maybe we should be looking at getting to the root of that problem as opposed to simply expanding universities, because frankly a lot of people in my area who are doing very well in life financially, in skilled trades often, are insisting that their children have to become professional people.

Anyway, carry on, Mr Pelissero.

Mr Pelissero: No, I think he has answered some of the questions

around the small business aspect. How do we encourage—We have identified the teaching community. We have identified even current skilled workers who do not see themselves as "professionals," and that is really an attitude change. All of society has to rethink in terms of what a professional is and what is a skilled worker. Maybe we will just call everybody skilled workers as opposed to professionals. That might solve some of the practices.

It is challenging. I have a nine—year—old son and I am not sure what he wants to be or what he wants to get into. How do we make education as well as the workplace relevant to what he eventually is going to get into, knowing that he is probably going to change careers two or three times in his lifetime? Probably the biggest skill we could give to our young people is the ability to learn.

Mr Wolfson: Be flexible.

Mr Pelissero: And be flexible, as opposed to just-

Mr Wolfson: Good basic grounding in some of the skills.

 $\underline{\text{Mr Pelissero}}\colon \mathsf{Some}$ of the skills and the ability to learn and the discipline of learning.

Mr Wolfson: And the expectation that learning will become a lifelong process; that one will expect that to occur throughout one's working life.

Mr Haggerty: I have a couple of questions. I was interested in the last comments when they talked about professionalism in the workplace today. I happen to carry a union card, and because you belong to a union and skilled trades in this particular area, you are not considered a professional. But really, when you look at the skilled trades as an apprenticeship and into the industries, and you look at the word "professionalism," just what is it?

If you look at nurses today, they are called professionals, yet they belong to a union. You can go to Ontario Hydro. You have a group of professional people there; they are all part of a union.

That is what taints there: the "blue-collar" worker. But I will tell you this much: There are blue-collar collars workers out there today who are earning \$60,000 a year. I think many youngsters in school just do not realize that the market in this particular area pays very well today.

Another comment is that I am concerned about the matter of apprenticeship programs being put out now by the ministry. Mr Pelissero, my colleague from Lincoln, indicated that you can be a roofer and it is called a skilled trade in a sense, but really you cannot come in under an apprenticeship program.

You have many youngsters out there today who are school dropouts. Your comment in the opening was that 1988 youth unemployment was on the decline. You never really addressed the area of education, particularly in the elementary level, that you can reach out and get some of these persons who will probably do well in the blue-collar field as skilled tradesmen. We have missed the boat in that area; they have not had the opportunity. They have been pushed aside in the school system. Then we wonder why we get the dropouts.

In that area alone, it seems that government in the past has looked at the educational area as spending millions of dollars in the secondary school

system and has not really reached and helped many of these youngsters who want to do well in the workforce.

I just feel that in the long run it costs us more. We are paying money now through the Ministry of Skills Development to implement such programs to get them back into school so they can upgrade their education, so that they will have sustaining life employment, you might say, in their field of choice. We have really gone backwards, in a sense.

My colleague from Lincoln and I were at the Niagara College of Applied Arts and Technology not too long ago. We usually sit down and have some dialogue with the board members and some staff. I was amazed that one of the comments was that they were talking about phasing out their technical area. Here we have a shortage of skilled tradesmen in Ontario, even in Canada, and we have one of the colleges saying it is going to unload it.

<u>Mr Wolfson</u>: As I understand it, the reason is it comes from the demand side of the equation. There are not enough young people interested in pursuing those avenues. It is evident in the survey that we talked about earlier. Perhaps I can quote a couple of statistics from that survey of young people.

"People who have skilled trade jobs are successful": 77 per cent of the young people said yes to that. "There are good opportunities in the skilled trades": 82 per cent of the young people said yes to that. "Do you know what an apprentice is? Do you know what the concept is?" A total of 79 per cent said yes, they did.

Then, on a sort of agree or disagree kind of scale, they were asked the following: "Apprentices are paid low wages." Disagree. "Apprenticeship programs are too long." Disagree. "Apprenticeship is too difficult for me." "I disagree." "Skilled trade jobs are well paid." "Yes, I agree." "Skilled trade jobs are interesting." "I agree." "New technology makes skilled trades less important." Disagree. "Women are capable of working in the skilled trades." "Yes, I agree."

Mr Haggerty: Many are working in them.

Mr Wolfson: "Skilled tradespeople are often unemployed." Disagree.
"There is a big demand for skilled trades." Agree.

There is a sense here that the jobs are meaningful, they are well-paid, they give a good career, you can do them, but as the chairman noted, "I will probably choose a skilled trade job." "I disagree." The knowledge is there, but the image is somehow wrong.

Mr Haggerty: But if you go back to the early apprenticeship programs that they had, they were not the government. In the past, the government never had an apprenticeship program. The industries provided skilled tradesmen. They carried it through the war years and after the war years.

As soon as the government gets into the picture and says, "We are going to implement a program and we will subsidize the program," the problem we are creating here is that through subsidizing programs in the industry, if they do not get a deal, they will not do it. The government is allowing offshore people to come in and get into some of the good skilled trades in the province. Have we failed in that area?

Mr Wolfson: The apprenticeship system in Ontario really is one in which the government's role is in terms of some curriculum standards, some organization of the course offerings, typically through the colleges, a registration and a certification process. Certainly there are some trades which are mandatory: "Thou shalt be registered in them and have a ticket in order to be able to operate in that area."

The real leadership in apprenticeship comes from employers, because, of course, an apprentice has to be employed. Most of the training is on the job. If one were to think of this as an entire system, the costs are very much borne by employers and not very much by government in the system as a whole.

The Chairman: Subsidy is really not a huge factor in most situations, I would think.

Mr Wolfson: I do not believe so. I think that is really what I am arguing. The subsidy is really towards the in-school training, paying for the institutional component of apprenticeship. The federal government, I guess, gets involved in income support for the apprentice when the apprentice is not on the job but rather is in school.

Mr Lipsett: It is interesting. Some of the information that was given to us this morning indicates, I believe, for instance in the electrical products field in particular, that we are going to see a decline in the amount. But in my area, in my last year and a half in this position, there have been two areas of apprenticeship where we seem to be unable to have enough employers to get the right ratios. One was electrical and the other was masonry.

Are we doing anything? I understand there is some formula by which, if you are an employer, you have to have so many journeymen to be able to have so many apprentices. Is there some way we can further qualify the ability of some of these employers to train apprentices so that they could indeed train more? There is a real shortage.

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Mr Wolfson: I guess there is a process. I believe each trade has a provincial advisory committee that works with the ministry around these kinds of issues. I think that would probably be the mechanism for trying to sort out some of those things.

 $\underline{\mbox{The Chairman}}\colon$ That may lead to Mr. Pelissero's question on roofers. Did you want to expand on that at all?

<u>Mr Pelissero</u>: It is my understanding, through a gentleman who owns a business, that Alberta recognizes and has an apprentice program for roofers, as opposed to Ontario where we have nothing. If we are talking about trades being mobile and interprovincial borders being removed in some of our trade areas, are we looking at removal of interprovincial trade barriers with respect to skilled markets or skilled labour?

Later on I will pursue how we go about getting an apprentice program for the roofing industry.

Mr Wolfson: I think that kind of leadership has to come from the industry in developing proposals in this regard and forming itself into an advisory group, with the help of the ministry, working with the ministry around creating that sort of thing.

I am not the great expert in apprenticeship, but there is a difference between the mandatory trades, the ones required by law—"Thou shalt be a journeyman in order to do this particular trade"—and those which are really what are called voluntary; the group gets together as a trade and establishes certain standards and so on, which they voluntarily provide under the auspices of the ministry. I would suggest that the latter kind of mechanism would probably be appropriate.

The Chairman: You were also interested in the new federal unemployment insurance.

<u>Mr Pelissero</u>: Yes, and the impact of that with respect to either private or provincial programming directions, because of their attempt to "redirect money" and their expectation that the private sector will double the amount of money that it is spending on skill training.

Mr Wolfson: That will be a challenge for us all, I think. The Ministry of Skills Development is seeking as a ministry to create what we call a training culture in Ontario, the expectation that firms will look on labour as a vital resource in their business plans and develop human resources and training plans for their companies, that at the same time as they are looking at capital investments, they will recognize the importance of training their workforces.

Training culture implies what we were talking about earlier in terms of employees, in terms of people having the expectation that they, too, will be in training situations throughout their entire career. So we are certainly equally interested in encouraging more investment in human capital, if I can call it that.

It is a challenge. There are certainly issues of cost that firms face in investing in training. However, there is some evidence that those who invest in training do reap the rewards in terms of increased productivity, in terms of reduced turnover and the usual argument that if I train somebody, I may lose the investment to my competitor down the street. This is always a concern, but there seems to be more and more evidence that the investment can pay off. So one can try to be optimistic about this.

The Chairman: We are going to be looking at this more thoroughly in the committee, but at first glance it seems to us that the new federal rules are going to have a severe impact on Ontario. To what extent is your ministry interfacing with the federal government to determine what it is trying to plan?

Mr Wolfson: There is a unit within the ministry whose prime purpose is precisely that. The federal-provincial relations group in the ministry is charged with that responsibility. It would not be wise for me to speak directly on their behalf, but if this is something the committee is interested in, I am sure you could make the request to the ministry and we could provide someone who could speak with some eloquence on the matter.

The Chairman: We definitely would be interested, because obviously we are going to have to respond to that.

Interestingly enough, the other thing that has not come up this morning is the free trade agreement. I just wondered if you would be interested in commenting on the extent to which you see specific problems occurring as a result of that.

Mr Wolfson: That is a tough challenge. I think the presentation is trying to give the flavour that Ontario is a very open economy. We are subject to international competitive pressures. Over time, through the General Agreement on Tariffs and Trade round of negotiations we know that the average tariff levels have fallen. The free trade agreement will be an added impetus in that direction. I think what we can anticipate is continued change and restructuring of Ontario's economy as a result of increasing international competitiveness.

Mr Cleary: Just briefly, I wanted to ask you about something you had touched on a bit earlier. It was about employers who have an apprenticeship program and train their employees then lose them to another province or even another country. I have watched that very closely over the years. Do you have any statistics on that? Is that a big thing all over Ontario or maybe just in our part of eastern Ontario?

Mr Wolfson: I do not have those statistics on the tip of my tongue. The report that we just recently released on the decision to train did do a little investigation of that issue, which was put in the context of what the reasons to train are and what the barriers that were getting in the way of additional training might be. The issue of losing the employee to a competitor was very low on the list of what were volunteered as reasons not to engage in further training of staff. It did not seem to be as major a problem to employers as one might expect. At least, that is what the survey said.

 $\frac{\text{The Chairman}}{\text{material with which to work and we appreciate your doing that. As I indicated at the opening, it is going to require a little mining on our part to determine where it is we want to go in this area.}$

I guess perhaps I am showing my local bias a little bit, but I think it might be of value if we obtained Professor Walsh and brought him here to talk about some of the solutions he had, and perhaps some representatives of the community colleges as well. I do not know, but that may lead to asking for a response from the Ministry of Education. As I say, in the presentation I saw, the blame seemed to be going back there.

Thank you very much for your presentation. We will be looking forward to the slide documentation.

Mr Wolfson: I would be happy to provide it.

The Chairman: The other thing we have on the agenda this morning is the budget. The Conservative members of the committee are apparently both ill. -That is the reason they are not here. I am in the committee's hands as to whether or not you wish to deal with the budget without them.

In so far as Mr Haggerty's motion is concerned, I think that should happen here. Mr Pelissero, you are suggesting all the budget should await their presence. Is that a consensus? All right. Is there any other business? The meeting is adjourned.

The committee adjourned at 1117.

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STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS
ORGANIZATION
THURSDAY 22 JUNE 1989



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS CHAIRMAN: Cooke, David R. (Kitchener L) VICE-CHAIRMAN: Pelissero, Harry E. (Lincoln L) Cleary, John G. (Cornwall L) Ferraro, Rick E. (Guelph L) Haggerty, Ray (Niagara South L) Hart, Christine E. (York East L) Kozyra, Taras B. (Port Arthur L) Mackenzie, Bob (Hamilton East NDP) McCague, George R. (Simcoe West PC) Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Substitution:

Neumann, David E. (Brantford L) for Mr D. R. Cooke

Clerk: Freedman, Lisa

Pope, Alan W. (Cochrane South PC)

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

LEGISLATIVE ASSEMBLY OF ONTARTO

STANDING COMMITTEE ON EINANCE AND ECONOMIC AFFAIRS

Thursday 22 June 1989

The committee met at 1009 in committee room 1.

ORGANIZATION

The Vice-Chairman: I am going to recognize a quorum. The Progressive Conservatives have identified that they will not be here this morning, and Karl apparently is not going to be with us this morning.

There is an agenda before you. We have to add one item, item 4, which is Bill 18, the Ontario Municipal Improvement Corporation Amendment Act. I believe there is a copy of the bill as well as the Ontario Municipal Improvement Corporation Act, 1982, before you. That has been referred to this committee and we will probably need to discuss how we are going to deal with it.

First, we have a report of the subcommittee. There were seven items. Probably the easiest thing to do is read it:

- "1. Your subcommittee met on Wednesday 20 June 1989 to consider the schedule and budget of the committee.
- "2. The subcommittee noted that a number of bills may be referred to the committee."

I will just stop there to say that at that time we were unaware that Bill 18 was referred. It is my understanding from our whip that Bill 20 will be referred to this committee as well. Bill 20 is An Act to provide for the Payment of Development Charges; it may be better known as the lot levy act.

There was also some discussion about whether this committee would be charged with the responsibility of looking at the two pension bills, one of them being being the one Mr. Elston recently introduced, dealing with the public service pension situation; and it has not been introduced yet, but there might be the possibility of dealing with the teachers' pension issue as well.

Again, we could not plan in the abstract, but I have been able to find out and report back to the full committee that with respect to item 2, we have been charged with Bill 18 and more than likely will get Bill 20 as well.

- "3. The subcommittee agreed to recommend that, time permitting, the committee look at the issue of research and technology.
- "4. The subcommittee agreed to recommend that the committee travel to Boston and—"

The report says Los Angeles. I think we in the subcommittee—seeing as I am the only one who was there, as well as the researcher and the clerk—said it was going to be California rather than naming Los Angeles specifically. So, if we could change that to: "...Boston and California during the summer recess to examine the issue of research and technology.

- "5. The subcommittee agreed to recommend that the committee request four weeks of meeting time during the summer recess to examine the issue of research and technology: five days' briefing and preparation, 10 days' travel and five days to write the report.
- "6. The subcommittee agreed to recommend to the committee that prebudget consultations commence as early as possible when the House resumes sitting in the fall.
- "7. The subcommittee requested that the clerk draft a budget reflecting the above."

We should go back to item 3 and get some agreement, taking these recommendations from the subcommittee to the full committee. Starting with item 3, that the committee look at the issue of research and technology, I open the floor for discussion on that.

Mr Haggerty: I want to take a look at 2 first.

The Vice-Chairman: Okay.

Mr Haggerty: I understand there are particular bills that may come before the committee to hold hearings. Will they be public hearings?

The Vice-Chairman: That is to be determined. We know we have Bill 18, with which I am not all that familiar, but I would think next week we could probably get some representation from Treasury to give us some background on Bill 18. It is too bad that Christine is not here, because we could get some more information on it to see how contentious it is, if it is contentious, and determine—

Mr Haggerty: That is permitting the government or the municipality to use pension funds from the Canada pension plan, I believe.

The Vice-Chairman: Okav.

Mr Haggerty: Are there going to be public hearings or just in committee to review?

Mr Mackenzie: If we get lot levies, you can almost bet on public hearings.

The Vice-Chairman: That is Bill 20. Right now we only have Bill 18 been referred to us.

Mr Haggerty: You are talking about pensions. We should make our decision now whether it should be public. Myself, I think it should not be.

The Vice-Chairman: I will recognize Mr Mackenzie in a second. I do not want to make any judgements in terms of things we do not have and are rumoured to get. The teacher's pension piece of legislation may not get past second reading before the recess.

Mr Haggerty: You might get some Treasury bills, though.

The Vice-Chairman: Mr Mackenzie? I am sorry, I should not have interrupted.

Mr Mackenzie: I think we are in a no-win situation at the moment. I do not basically disagree with the subcommittee's recommendations, but I would sure as hell hate to endorse them at this time. I say that and maybe I will get into some trouble with my colleagues, because I have not had a chance to have a talk with them.

But I do know they are discussing bills and what committees they may go to in the House leaders' meeting this morning. I also know there is talk about the pension bills and certainly the lot levy bill coming to this committee—none of that is assured yet—as well as the bill we have. There is some talk about some of the budget bills coming to this committee.

I think we would be much better off to table the recommendations of the subcommittee at least until next week rather than try to move on it, because if we went to the Board of Internal Economy with requests, including the travel, which I would not mind seeing in terms of the research and development, when we do not know yet—If we are going to have the lot levy bill, you can be sure four weeks is not going to begin to cover that topic and the other bill. I think we are crazy to try to endorse the subcommittee's recommendations yet. I do not want to kill them, I just think they should be tabled at least for another week.

Mr Ferraro: I do not have any problem with that suggestion. One week is not going to make a lot of difference, quite frankly, especially since the House leaders are dealing with who gets what at the moment.

Rule me out of order if I am off topic here. I apologize, because I have not been able to attend too many of the committee meetings in recent weeks because of other commitments. Briefly, Mr Chairman, to either you or Mr Mackenzie: Is it the committee's intent not to deal with the national sales tax issue at all?

The Vice-Chairman: Not at this particular time. We went through an exercise of identifying some topics. There is an agenda item on here in terms of future agenda topics. We have almost gone full circle in terms of the national sales tax issue, because we do not know what the federal government is proposing, we have not seen a white paper, and according to the best information our researcher has been able to determine, it may not be until late summer or early fall before there is anything out. To be fair to the staff, to give them some direction for long-term planning—

We are back into the same situation this week, where we are jerking from week to week until we are sure what bills are actually going to get referred.

I am going to entertain Mr Mackenzie's motion to table the recommendations of the subcommittee until next week's agenda. We may have a better idea at that time what legislation will be referred to this committee.

Mr Mackenzie: Just briefly; I do not want to prolong it. Maybe it could be done that way—I notice there are reservations expressed on the recommendations—but I would hate to go to the Board of Internal Economy with the recommendation that we are going to try and take four weeks of travelling time on research and development, much as I might like it.

They are thinking of giving us the lot levy bill, for example. If we do end up getting it, we would be sitting every week of the break unless we are going to go right through close to next Christmas. I just think we are not being very sensible if we do not delay it at least until we get a little more information on the bills that are going to come to us.

The Vice—Chairman: Can I just get general agreement that it is deferred until next week?

Agreed to.

The Vice-Chairman: Thank you. That takes care of the report of the subcommittee; agenda item 3, which was the budget; and I think future agenda topics as well, because until we get an idea of the number of pieces of legislation, and the type of input we want to receive as a committee on what could be as many as four pieces of legislation—We know we have one now; it could be as high as four, and some of them may be contentious, and depending on the amount of public hearings—

I do not think we need to spend very much time talking about future agenda topics other than that there was some discussion about our prebudget consultations, and I know they are part of the subcommittee's recommendations.

I will just, by verbal report, state that the subcommittee felt the advertisements for prebudget consultation should go in the paper around September, so that if we do come back in a normal pattern just after Thanksgiving in October, we could start our prebudget consultations as early as October and go through October, November, December, and then look at drafting a report for the Treasurer (Mr R. F. Nixon) to be finished by the early part of January.

Mr Mackenzie: It might make sense, Mr Chairman, at our meeting next week to carve that out if we do not yet know—although I suspect we will have a better idea—and make it separate. The recommendation does make sense. It is just, as I say, that until we have a clearer idea of what is coming on to our plate it is difficult to schedule.

The Vice-Chairman: Fair enough.

Can we move to Bill 18? It has been referred to us. I guess it just got referred to us two days ago. I am not that familiar with it. I am going to suggest that we ask for someone from Treasury to come and talk to it. I will leave it with the opposition parties. If they do not feel it is that "contentious," we may be able to deal with it next week.

<u>Mr Mackenzie</u>: I think it should be scheduled for next week. Certainly I want to check with my people, but if we are going to get any of this avalanche of stuff done, this is one we at least have, and it probably should be scheduled for next week.

The Vice-Chairman: Okay. We will schedule Bill 18 for next week then, a ministry briefing.

This could be a very short meeting. Not wanting to prolong it any longer, is there any other business anyone would like to bring before the committee?

Mr Ferraro: I am just wondering, in that we are going to have the ministry briefing us next week, whether the clerk or the researcher would have a comment from the representatives of the school boards.

Ms Anderson: To come as a witness here?

Mr Ferraro: I would not go that far, but in that the borrowing

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affects the school boards, it might not be bad for the committee to have a--

The Vice-Chairman: Background paper? Sounds good.

Mr Ferraro: —a report from you, Anne, with regard to the reaction from the school boards, unless the committee does not deem it feasible.

 $\underline{\mbox{The Vice--Chairman}}\colon \mbox{Okay. I adjourn the committee until next Thursday morning. Thank you.}$

The committee adjourned at 1023.



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

ONTARIO MUNICIPAL IMPROVEMENT CORPORATION AMENDMENT ACT, 1989 ORGANIZATION

THURSDAY 29 JUNE 1989



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

CHAIRMAN: Cooke, David R. (Kitchener L)

VICE-CHAIRMAN: Pelissero, Harry E. (Lincoln L)

Cleary, John C. (Cornwall L) Ferraro, Rick E. (Guelph L)

Haggerty, Ray (Niagara South L)

Hart, Christine E. (York East L)

Kozyra, Taras B. (Port Arthur L)

Mackenzie, Bob (Hamilton East NDP) McCague, George R. (Simcoe West PC)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Pope, Alan W. (Cochrane South PC)

Substitutions:

Lipsett, Ron (Grey L) for Mr Kozyra

Sterling, Norman W. (Carleton PC) for Mr McCague

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witness:

From the Ministry of Treasury and Economics: McColl, Donald S., Assistant Deputy Minister, Office of the Treasury

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 29 June 1989

The committee met at 1010 in committee room 1.

ONTARIO MUNICIPAL IMPROVEMENT CORPORATION AMENDMENT ACT, 1989

Consideration of Bill 18, An Act to amend the Ontario Municipal Improvement Corporation Act.

The Chairman: I see a quorum. We should get started in view of the fact that we do have four guests who have been sitting here for some time. It is my understanding that Bill 18 and Bill 20 have been referred to this committee and that last week the committee made a decision that it wished to have more information, specifically concerning Bill 18. The committee should be aware that Bill 18 comes from the Ministry of Treasury and Economics and our guests this morning are principally concerned with that bill and not necessarily with Bill 20.

The committee should also be aware that we really must pass a budget today and make some decisions with regard to what we wish to do if there is a break in the session, which I understand is quite likely. Those decisions have to be made today; also a report from the subcommittee has been referred to today from last week. That being the case, I think I will put a maximum of about 40 minutes on dealing with Bill 18, if the committee agrees to that, so we can then deal with these routine matters thereafter.

That being the situation, we have with us Don McColl, assistant deputy minister of Treasury and Economics, who is facing me, and, as I face them, starting to my left is David Brand, who is the senior policy adviser, Paul Fieldus and Paul Knox, who is an economist with the ministry.

There has been distributed a one-page statement which I do not really think really needs to be repeated, unless any members wish it to be read into the record. I would ask Mr McColl to expand on that, if you will, and then perhaps you could be prepared to answer some questions.

Mr McColl: Certainly. In preparing the background statement, we thought it would be useful to give you a little of the history of the Ontario Municipal Improvement Corp because it is not exactly a household word in Ontario. It was created in 1950 to make loans to municipalities for a variety of capital works.

Our understanding is that at the time it was created it was contemplated that it would borrow in its own name in public markets and re-lend in municipalities. From the records, we can determine that about \$29 million was borrowed in total, and then the procedure seemed to shift to loans from the Treasurer, and that early \$29 million in public debentures was retired by the early 1970s.

My speculation would be that it was not particularly helpful to borrow in public markets because of the scheduling of municipal debt. To do a meaningful bond issue in a public market if you do not have the municipalities lined up on the other side for the exact amounts is a very awkward procedure.

No sooner would you finish one issue than the next municipality would be in to demand or request assistance. So I assume that was a very awkward procedure.

In any event, by the 1960s, with the arrival of the baby boom and the Canada pension plan, OMIC declined as a financing vehicle and was replaced by two capital aid corporations, one for education and one for universities. That became the preferred method of flowing funds to municipal authorities for school purposes and to universities and colleges.

We say in our background paper that in the high-interest-rate time in 1981 and 1982 we revved up on it for last-resort purposes and borrowed money from the Treasurer to re-lend to municipalities. A total of 40 debenture issues for \$12 million-odd was facilitated that way. A major one, as I recall, was Elliot Lake which simply could not borrow in public markets at that time.

The last issue OMIC completed was in 1985 for \$20,000, a very small issue. Since then it is basically an advisory service. It is still in existence for the collection of those issues, but it is basically an advisory service, because the local clerks, who change from time to time, need assistance in the sorts of things they have to do in order to float issues in public markets. We advise them on the type of bylaws they need, the type of Ontario Municipal Board approval, and direct them to the few remaining underwriters left in the municipal finance business in this province.

In my view, the fact that we have OMIC in place as a last-resort lender has always been a brake on the activities of underwriters in that there is always a last resort, so they cannot—if I can use this expression—rip off small municipalities with high interest rates. OMIC sort of stands there and monitors the municipal market. It provides that advice and makes sure they have advice on the level of interest rates, if asked.

The original legislation put a cap of \$150 million on the borrowings of OMIC. We assume that was because it was contemplated in 1950 that they would borrow on the public market as well as the province borrowing on the market. We can think of no other reason why they would put a cap on it. It was an internal corporation being run by Treasury. It did not seem to have any problem with the cap, but in any event it was never used and never challenged.

In the recent past, Canada pension plan funds, in addition to the capital aid corporations I have mentioned, have been used extensively by the province. More recently, we have been passing those to Ontario Hydro and on to the Homes Now program, which with the last two budgets has a commitment of \$3 billion of CPP for those programs.

In this recent budget, we also contemplated passing \$200 million to the local school boards for capital purposes. Since there was this restriction in the OMIC Act and OMIC was chosen as the vehicle, we thought it was prudent to come to the Legislature and remove that restriction, because we contemplate CPP funds in excess of that amount. The mechanism of borrowing would be to guarantee the debentures of OMIC to CPP, which is a requirement of the Canada pension plan. Any loans would be shown in the contingent liabilities of the province after we had obtained an order in council authorizing the borrowing.

If I could just go on with a few additional points which may be helpful, the size of the municipal sector in Ontario is roughly about \$400 million per year in new borrowings. Of that, 75 per cent is borrowed by regional municipalities which, by and large, have triple A ratings and borrow at roughly 15 basis points over what the province itself would borrow at. The bulge in municipal borrowing, from my perception in the last year or so, has

been mostly associated with the Ministry of the Environment and requirements to beef up water and sewerage works. Single A rated municipalities would borrow at roughly 30 basis points over what Ontario would borrow for in public markets.

So the existence of the Canada pension plan as an option to smaller school boards or municipalities for school board purposes is, to me, strategically important in that the underwriting community will always know that the province has a backdrop and that those municipalities could borrow from OMIC and borrow at CPP rates, which are government of Canada rates.

Quite frankly, CPP money is 20-year, fixed term money based on government of Canada rates. Although we have had discussions with other provinces in the last year and with the federal government to change and give more flexibility to the term of the Canada pension plan, it is not a very adequate vehicle for municipal purposes. We have talked to the federal authorities about changing that to include terms of five, 10 and 20 years, which might be more convenient, but my own suspicion is that municipalities will find that a 20-year fixed term does not suit their general methods of administration. They tend to borrow 10-year serial debentures and pay off a portion of principal and interest each year.

1020

Nevertheless, when we are addressing this question a little later on, this could still be attractive depending on interest rates, but by and large, municipalities have stayed away from what we call the bullet type, one-maturity loans, because with their tax base and whatnot they tend to want to pay off so much a year. We will see how useful this is.

However, in Treasury we are always conscious of the fact that the municipal underwriting world is a diminishing world. The investment dealers and banks focus their attention on global finance. Municipal and local finance seems to be dropping off. In Treasury, in our own dealings with underwriters, we continue to focus on the question of how much they have been doing in municipal finance to let them know that is important to us. I would say there are three or four major firms that are active in municipal finance and only recently have they started to beef up and train younger people to take on that role, which is not exactly a glamorous role in that business.

This is all a combination of things, but the removal of the \$150-million clause, which was originally inserted in the OMIC bill in 1950, seems irrelevant to us; that is why we are requesting this amendment.

 ${\it The \ Chairman}$: Just a point of clarification: A base point is one 100th of a percentage point?

Mr McColl: That is right.

The Chairman: I take it that the purpose of the bill, then, is to bring into being the matter which was included in the budget paper on pages 98 and 99. It was the appendix on budget paper E: municipal government finance, school board access to Canada pension plan funds, etc. Any questions?

Mr Morin-Strom: Yes. It seems to me that the \$150-million limit is not irrelevant at all, because you are proposing to go up to \$200 million on one program alone. It is not a matter of being irrelevant; the fact of the matter is that it puts a constraint which would prevent you from doing that.

Mr McColl: I am sorry. It is irrelevant in the sense that we understand the original intention was to curtail the borrowings of OMIC in public markets. From the standpoint of authorities, I would put forward the view that for any borrowings of OMIC, we would go in terms of the Ontario Loan Act and then go to cabinet. It is not a corporation that is outside of Treasury doing its own thing, in that sense that I view it as irrelevant.

Mr Morin-Strom: The original reason for the limit, you are saying, is irrelevant? The limit is quite relevant to what you are planning to do.

Mr McColl: Yes; correct.

Mr Morin-Strom: One of the contradictions in your presentation seems to me to be between the direction OMIC has been going and the announcement in the budget. In your background, you say, "Over the years a variety of other financing arrangements were developed which replaced OMIC as a major financing vehicle." You are stating that a number of other financing vehicles have become available, which essentially meant that OMIC was not relevant, I suppose In fact, there has been no activity since 1985, and only one minor one in that year.

Why is it that these other financing arrangements are not suitable for the current case at hand having to do with school boards? I guess you are going to have to explain to me what these other financing arrangements are and why they could not be applied in this case?

Mr McColl: In the 1960s, with the arrival of CPP funds, the government of the day created two capital aid corporations, one for education purposes and one for university and college purposes. Those two corporations borrowed funds at the CPP rate from the Treasurer and re-lent them to school boards. Take the one case of the educational capital aid corporation; at the peak I believe it was over \$2 billion in financing.

In 1985, those two corporations were dissolved. In 1978 the budget for that year changed the procedure from loans to school boards to grants to school boards. So even those two corporations, apart from the collection of legitimate obligations, were not making any new loans. In 1985 those two corporations were dissolved and the portion of debt that existed, which was primarily the responsibility of the province, was written off the books in a budget exercise called "clean sweep."

Of the remaining debentures that are being collected by OMIC on behalf of the Treasurer (Mr R. F. Nixon), some \$147 million of school board debentures are the prime obligations of school boards without any supporting grants from the province.

So even those two corporations, a vehicle appropriate for the time, have passed in the interim.

Mr Morin—Strom: Currently, rather than there being a variety of other financing arrangements, there is no other financing arrangement. Is that what you are saying?

Mr McColl: Not that I am aware of. On the part of the municipalities, there has been a substantial decline in their borrowing activities over the years. Budget paper E describes in some detail the borrowing capacity of municipalities, which is 20 per cent of their operating expenses. That has declined over the years. I believe the number I read was

that six per cent of operating revenues are currently used to fund capital projects. That paper also got into the statistic that in 1970, in about 41 per cent of municipal capital projects, funds were borrowed in public markets for those purposes. More recently that has declined to about 16 per cent.

The paper goes on to describe municipal finance and the capacity they have to borrow in public markets. The capacity, if they ever took it up to the 20 per cent OMB guideline, would produce close to \$8 billion of available financing to them. The point I am making is that even municipalities have tended to borrow less and less over the years, I assume primarily because of the large component of transfer payments, unconditional grants, etc, that have flowed to municipalities.

Mr Morin-Strom: Is that six per cent how much is being spent on capital or on debt servicing?

Mr McColl: Debt servicing, capital and interest; debt servicing as a percentage of operating expenditure.

Mr Morin-Strom: The province is taking the position that municipalities, using their property tax base as a source of revenue, I guess, have a greater debt carrying capacity and that we as a government should be making them take that up.

Mr McColl: I believe that is fair.

Mr Morin-Strom: So you are really reversing a direction, compared to what has been government policy in recent years in terms of reducing municipalities' needs for financing vehicles, where the 20 per cent limit has dropped to the point where, on the provincial average, you are saying, municipalities are only spending six per cent of their revenues on debt servicing.

1030

. $\underline{\mathsf{Mr}\ \mathsf{McColl}}\colon \mathbf{I}\ \mathsf{do}\ \mathsf{not}\ \mathsf{describe}\ \mathsf{that}\ \mathsf{particularly}\ \mathsf{as}\ \mathsf{government}\ \mathsf{policy},$ but as municipal preference. They are in control of that themselves, whether they choose to borrow or tax.

Mr Morin-Strom: That is fine for now. Thank you.

The Chairman: There are some exceptions to that, are there not? Some municipalities are at their limit, or claim to be.

Mr McColl: Do you know, Paul?

 $\underline{\text{Mr Knox}}\colon \text{No, not offhand. I think some are nearing their limits on the school board side.}$

The Chairman: School boards. What about municipalities?

Mr Knox: Some; a few.

 $\overline{\mbox{The Chairman}}$: The regional chairman in Waterloo claims they are at their $\overline{\mbox{limit}}$. You do not need to comment on that, but that is what he keeps telling me.

Mr Haggerty: You are dropping section 14, the \$150 million. What is the limit we are moving to now?

Mr McColl: There would not be a limit.

 $\underline{\text{Mr Haggerty}}\colon \text{Do you mean the sky is the limit? Providing there are sufficient funds from the Canada pension plan.}$

Mr McColl: Yes.

Mr Haggerty: Does this just relate to the Canada pension, or to any other pension plans in Ontario, such as the teachers'—

Mr McColl: This proposal relates only to the use of-

Mr Haggerty: Just to Canada pension plan.

Mr McColl: Yes.

Mr Haggerty: In the past, has the corporation borrowed money from the teachers' pension fund?

Mr McColl: No.

Mr Haggerty: Nothing. The Ontario Public Service Employees Union?

Mr McColl: No. The arrangements with the teachers' fund—Budget paper F describes those arrangements in some detail. Up to this point, all the surplus funds of the teachers have been lent to the Ontario government on a 20-year, nonmarketable debenture, so there is an activity outside of that one financial arrangement. The Ontario municipal employees retirement system—

Mr Haggerty: OMERS. Do you tap that source?

Mr McColl: They started to invest in the public markets on their own about 1976, I believe. To my knowledge, they are not particularly active in purchasing municipal debentures, as a matter of OMERS policy.

 $\underline{\text{Mr Haggerty}}\colon$ Are they taking a higher risk, then, going to the public market, or would they get the same return? Say they borrowed from within their own plan.

Mr McColl: OMERS?

Mr Haggerty: I am talking about OMERS, municipalities and school boards.

Mr McColl: I do not want to confuse this, but OMERS has a variety of investment operations on the equity side. I think their asset mix is roughly 70-30. It is concentrating a lot of its new cash flows on the equity side and diminishing the fixed income side to about 30 per cent of their total assets. In that 30 per cent, I assume they have a variety of government of Canada and provincial and corporate bonds. I think it is a matter of policy, and I am pretty sure this is correct, that they do not purchase municipal debentures. They may purchase the debentures of the large regional municipalities; I am just not sure of that.

Mr Haggerty: I think you are well aware of the situation in the regional municipality of Niagara. They went out and got into the high-risk investment, and I think the city of St Catharines too. There was a shortfall of millions, I guess it would be. Municipalities are out there ready to say:

"Yes, we can jump on this thing here. We've got something going for us," and it turns out that, really, they get into financial difficulties. I was just wondering if maybe they would apply that, borrowing from within their own pension fund, they might take a little more caution, in a sense, than using it as risk capital.

Mr McColl: I am not sure I can answer this properly, but it is my understanding that in the case of St Catharines you are talking about their investment of surplus short-term funds?

Mr Haggerty: They were in something that was supposed to be really good out in the prairie provinces and they got stung on it.

Mr McColl: The Northland Bank and the Canadian Commercial Bank, which went broke. That was more to do with the investment of their day-to-day, short-term liquidity than it was to do with their borrowing in the marketplace. Certainly, as an investment policy—

Mr Haggerty: If they had that much money, though, they should have reduced the taxes instead of hitting the taxpayers two, three—I will get into another area.

The Chairman: As I understand what you have said, this corporation only gets involved on request, does it not?

Mr McColl: Yes.

The Chairman: You do not interfere with short-term activity by a particular—

Mr Haggerty: I was just asking why they would not tap OMERS and the teachers' superannuation fund for funding of schools and building schools?

Mr McColl: I think you are talking about the other side of the equation, the investment of their surplus funds, which may only be for a matter of days, 30 days.

Mr Haggerty: If I look at the document I have before me: "In the recent past, CPP funds have been borrowed by the province and re-lent to Ontario Hydro. In addition, \$3 billion of CPP funds will be made available to assist the nonprofit sector with lower-cost mortgage financing for the new Homes Now program." What interest rates are we talking about here? What numbers are we looking at?

 $\mbox{Mr McColl}\colon\mbox{We are looking at about 10 per cent today, and that is based on the long-term average of government of Canada bonds. It changes monthly.$

Mr Haggerty: Instead of going to the market, where if someone borrows for purchasing a home, they would have to be paying what, about 13 per cent?

Mr McColl: I think I would make the comparison to a school board going to borrow in the marketplace for school purposes. There I would say that the province is roughly 40 basis points over that Canada rate.

Mr Haggerty: I am lost when you say 40 basis points. Give me a number.

Mr McColl: If we are talking about the federal rate at 10 per cent, the province is about 10.40 per cent, and a triple A regional municipality at another 15 over that so we are talking 10.55 per cent.

The Chairman: Any further questions? Thank you very much, gentlemen. You have obviously satisfied our curiosity, for the moment at least. We appreciate your diligence in being here to assist us.

ORGANIZATION

The Chairman: I did set aside approximately 50 minutes for this. That would leave us about 13 minutes, if the committee wishes to proceed now with clause-by-clause on Bill 18. I am not suggesting that we have to do that now. It may be that one or other of the parties is not ready to that yet. If you wish more time to contemplate what went on today, that is understandable.

Mr Sterling: Is the question whether we go ahead today?

The Chairman: Yes.

 $\underline{\text{Mr Sterling}}\colon I$ would request we have a little more time, from my party's standpoint.

The Chairman: We will stand that down, then, until the next meeting.

Mr Sterling: Could I just have another look at the bill?

The Chairman: Would it be of assistance to have a short recess?

Mr Sterling: Did you want to do the budget in camera?

The Chairman: Do you want to do it in camera?

Mr Sterling: I do not, but I do not care.

The Chairman: It has not been the practice of this committee to do that, but if the committee wishes, it could go in camera. There does not seem to be a view to do that. I have not heard a motion.

Mr Haggerty: Do other committees go in camera when they are discussing their budget?

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The Chairman: I am not aware of it. They may. I do not know.

All right. It is my understanding that last week the committee took a brief look at the report of the subcommittee and put that report over to this week.

Mr Pelissero: The reason it was held over to this week was that we were to try and determine what pieces of legislation this committee was going to be asked to deal with during the break. Bill 18 was one of them. Bill 20 was referred to this committee on Tuesday.

Basically the recommendations of the subcommittee, from my perspective anyway, are on hold in terms of trying to do anything around research and development.

Discussions with my whip gave an indication that if we were to try to work out a schedule over the break dealing with Bill 20—there was some desire by the two opposition parties to do some travelling on Bill 20, better known as the lot levy bill—that incorporated probably about three and a half weeks total: two to three days at the beginning, about eight or 10 days of travel around the province and then two or three days at the end to write a report. He felt that would be reasonable in terms of the request for our budget.

Mr Morin-Strom: Who is this "he" you are talking about?

Mr Pelissero: Reycraft, our whip.

Mr Morin-Strom: This has not been a subject of discussion of the subcommittee.

Mr Pelissero: No. We have not had a subcommittee meeting since then. All I am saying is that the recommendations we had from the subcommittee were put on hold, because at last week's committee meeting we felt it was premature to say we want to put a budget together to include a trip to Boston or California, when in fact we are only going to be given anywhere from three to three and a half weeks of sitting time during whatever break we get, and we are going to be asked to deal with Bill 18 and Bill 20.

On Bill 20, we can set up the hearings however we want, but there was some desire, certainly by Mr McCague, to become involved in touring the province to hear submissions on Bill 20. All I am saying is that when we are talking about the budget, I think we have to look at what we can do with the three to four weeks of sitting time we will probably be granted for this break.

The Chairman: What Mr Pelissero is saying is that the agenda right now should deal with summer schedule first and report of the subcommittee later, because of the fact that we now know we have Bill 20 to deal with. It seems reasonable to look at that bill and see how much time we need to spend with it.

Mr Morin-Strom: Has Bill 20 completed second reading?

Mr Pelissero: Yes. It was referred to us on Tuesday.

Mr Morin-Strom: Has the clerk asked the critics to come in to deal with both Bill 18 and Bill 20 today?

Clerk of the Committee: The critics on Bill 18 are both out of town today. On Bill 20, today is the first time the committee is discussing it. What we were hoping is that we would discuss how we would want to proceed with Bill 20.

Mr Morin-Strom: Is it not unusual to deal with the matter of how we are going to deal with a bill without requesting that the critics be here? They are the ones who are primarily responsible for how they want to handle a bill.

The Chairman: Inquires have been made of both opposition parties, and the critics are not available right now.

Mr Pelissero: We could hold it over.

The Chairman: We could stand it down, except that this may be the last day we are sitting. We have to make some decisions.

Mr Pelissero: They are having discussions this morning about whether we are going to sit next Thursday, given the Queen Mother's visit as well as the Shriners being in town. If our only time for meeting is Thursday morning, we can try and map out—Maybe you want to have a subcommittee on it. I am just saying that the next time we get together as a committee may not be until 13 July.

The Chairman: I can report to the committee that the clerk has received 15 telephone calls, principally from interests in this community—I think one from Barrie and the rest from Toronto—who are interested in speaking to Bill 20.

I think the first issue that needs to be looked at is whether we want to have public hearings. I assume from what I am hearing that there is no opposition to having public hearings on the bill before we go into clause—by—clause. That being decided, the question needs to be broached about whether we are going to have advertising.

Mr Haggerty: What communities?

The Chairman: We can indicate in the advertisement that the committee will have its hearings in Toronto and other communities, as deemed necessary. We need to set up a date for a deadline for oral submissions, a publication date, how long we wish to hold those hearings. I do not think we need to decide today where.

There are two budgets being passed out now. One of them is a budget on the presumption that we are moving ahead with Bill 20, and it talks of travel throughout Ontario. It talks of a total of four weeks of meetings, two in which there would be travel and two in which there would be sittings in Toronto.

The other budget is based on the discussions the committee had last week —

Mr Pelissero: The subcommittee.

The Chairman: —which would be basically spending a total of four weeks on the adjustment process, including travel in the United States.

 $\underline{\text{Ms Hart}}$: The green paper that led to Bill 20 was widely advertised and I read all the submissions that came in to that request for submissions. The people who sent briefs broke down into pretty distinct groups: municipalities, school boards, or developers and their associations. I believe there were two individuals, and they were attached to municipalities.

Instead of broad advertising, would the committee be prepared to consider notifying all municipalities and school boards and developers and their associations? The developers have come together in one association over this matter, so that is a relatively easy thing to do. There may be other groups we want to include, but as opposed to undertaking the very high cost of advertising, since we know who is interested, is that a possibility?

Mr Sterling: I think we have to advertise widely on this one. I represent an area which is growing rapidly. My riding grows by about 5,000 people a year. Parents' groups are extremely interested in capital construction for schools and I am sure they are going to be interested in how the school board is going to get that money. For the Ottawa-Carleton area I

think it is important that we have general advertising. They may want to make submissions, \boldsymbol{I} am not certain.

The other thing is that I am getting a lot of responses to the property taxes in general, which is part and parcel of this issue or can be talked about in this issue.

The Chairman: Are there any other comments on the issue of advertising?

Mr Haggerty: On the advertising of the hearings, I do not want to set out that we are sitting here and having the meetings here in Toronto. If you are going to have public hearings, I think you should go to some other areas besides Toronto. You can go to Sudbury and Thunder Bay or something like that, Windsor or London and even the Niagara region. They have problems—

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Mr Sterling: Ray, you left out eastern Ontario.

Mr Haggerty: Everything seems to be held right here in Toronto.

Mr Sterling: You can even go to Cornwall.

Mr Haggerty: We could do that, yes. But if you hold it here in Toronto, you could be bogged down with everybody from Toronto coming in. I think it is all right to hear from them for a day or two days of hearings, and then go out. I do not know how many days you are going to set aside.

The Chairman: Of course, we heard some debate on this issue in our prebudget hearings which were just in Toronto. I would not anticipate a huge number of people wanting to make presentations. Even though we have had a number of phone calls, those people tend to be on top of the issue fairly closely. Maybe Mr Sterling has some other information in that regard.

Mr Haggerty: The bill has had second reading and many municipalities perhaps were not even aware of it, the large urban areas—they may have some concern now.

The Chairman: Then the question is, how do you contact those? Do you put an ad in the paper or do you write a letter to the municipalities?

Ms Hart: It cannot be said that the municipalities were unaware of it because they were specifically given notice of the green paper and asked for their submissions.

The Chairman: Your proposal is that we would write them again.

Ms Hart: Oh, certainly-

Mr Haggerty: The Association of Municipalities of Ontario.

Ms Hart: —and their associations.

Mr Sterling: What is the cost of advertising? Is it \$20,000?

The Chairman: It ranges from \$12,000 to \$25,000 depending on how broadly we talk of advertising. There is the whole issue of whether or not you

want to do ethnic papers and things of that nature. I think the other issue of advertising is that if you do that, you may need a little more time. We would have to place the ads and get deadlines and so on that we could perhaps cut a little short if we did not advertise.

Mr Sterling: There is no intent on bringing this back to the Legislature before we rise during the summer and I do not imagine many members from my party will want to sit during the month of July, assuming we get out in the next week or two, so I think there would be time to advertise.

 $\,$ The Chairman: We do not always have the say as to when we sit though, Mr Sterling.

Mr Sterling: I know. I realize that.

Mr Haggerty: Why not send out letters to the 26 counties in Ontario and the regional municipalities and Metropolitan Toronto and cities, and then the associations for the unorganized communities.

Mr Sterling: There are many interests in this. You are not only talking about developers' associations. You are talking about the guy who is developing a subdivision of 10 lots or whatever it is in a small community of Ontario and it would significantly affect the price of new homes in those communities as well as others, maybe more so because it is a larger per cent.

Mr Pelissero: Picking up on Mr Sterling's suggestion a bit, in the sense that we are unsure when we are going to rise here, either the middle part of July or the end of July, we could certainly have requests for submissions to be in to us by the end of July or the first week of August. We could also say that we will do some travelling around the province to hear those and we could do that, I would think, the middle part of August and then have all of that done by the end of August. Within the first couple of weeks of September, we could write our report on it.

What I am saying is that we do not necessarily need to wait until we rise before we seek submissions or people that want to make requests before us. We are not going to be able to tell people we are going to be some place in August when we may still be sitting here in August, which is a remote possibility.

Again, if you are looking to try and put a budget together, all you can take to whoever is that you are requesting anywhere from three and one half to four weeks of sitting time, to include two weeks of travel and a week at each end for briefing and debriefing and report writing.

The Chairman: You are talking about Bill 20?

Mr Pelissero: I am talking about Bill 20.

The Chairman: And you feel it will take three and a half to four weeks?

Mr Pelissero: Yes, given what Mr Sterling and I think what Ms Hart have said in terms of the interest within the associations, the municipalities themselves, the school boards and the development industry. Certainly, from the green paper was generated, that was one of the options that was listed in terms of the lot levy. There were other things and I do not know whether that

is part of Bill 20 or not, but what I am saying is that I think there is that amount of interest out there with respect to capital financing.

The Chairman: Would you like to make a motion then?

<u>Mr Pelissero</u>: I move that we seek permission to sit four weeks during the recess and that it consist of two weeks of travel throughout the province and the remaining two weeks to include briefing and report writing.

If we do not need the whole four weeks, fine, but at least seek permission to do that. If that is not worded properly, I will take some counsel—

The Chairman: I am a little confused by what you mean by report writing. Clause-by-clause, is that—

Mr Pelissero: That is clause-by-clause.

The Chairman: All right. By two weeks of travel, does that include Toronto?

Mr Pelissero: No.

The Chairman: All right.

Mr Pelissero: When I say two weeks, I am talking 10 days.

Mr Sterling: Wait a minute. Why do we not request two to four weeks to consider Bill 20? We advertise. We find out what kind of response. You place the advertisement in such a manner that you do not guarantee you are going to go to Ottawa, Windsor or whatever it is, but you say you will go to communities where there is a significant number of submissions to be made orally or whatever it is. If you can get the ad in in the next couple of weeks, you will probably know before you get out of here, or shortly thereafter, what kind of situation you are facing.

All you have to be sure of is that in the break you cover the out-of-town travelling situation and finish that off, and then if there is anything left over to hear, you can come back here to Toronto and do that after we reconvene in October or whenever. I think that is normally the way you would try to do it.

The standing committee on administrative of justice is going to be sitting a lot in the summer and I think some of the other committees are. You are going to have trouble getting participation in asking for too much in that vein, I think.

The Chairman: You are speaking basically in favour of Mr Pelissero's motion?

Mr Sterling: Yes.

The Chairman: Before I hear Mr Morin-Strom, the motion is on the floor. At some stage, I guess the committee will have to address what it is doing with its adjustment plans as well, which initially we are talking about four weeks for.

Mr Morin-Strom: I do not know how we can deal with this particular item separate from the subcommittee report. The budget has to be looked at as a whole and I think we have to look at our committee determining our own agenda as a whole. I think we should be looking at other agenda items besides this one. I think there is some difficulty in having a motion that is solely focused on this item. On this item, I do not think we can really determine how much time is required until we know how many submissions want to be made.

The only other time we have dealt with a bill in this committee was at the start of this year when we put out advertisements on the sales tax bill from the previous year's budget. We received what, about three requests to appear, something in that order? It took a day or two days. We do not really know what the demand is going to be in this particular case. It may be that grass—roots organizations, individual municipalities, developers and communities all over are going to demand to see us. It may be that it will be done on an association basis and we will end up being able to handle the whole thing within a week.

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We have to provide the provision for the travel component within Ontario over the summer. I am very sceptical that it will require two weeks of travel around the province. I do not think there is any need to deal with clause—by-clause on this bill during the summer. I think the clause—by-clause can well be put off until the fall.

The travel can be beans. I think we have to slot a certain amount of time, but we will have to wait to see how many requests we get before we can actually determine what the schedule is going to be and how many weeks we have to use out of the total.

Mr Pelissero: Two things: One, I do not disagree with Mr Morin-Strom in terms of setting our agenda to look at other topics as well, but we have been given two bills and to me it is one of the first priorities of the committee that we have to look at those two bills. As much as we would like to look at adjustment or research and development or whatever you want to call it, that may have to wait till our winter recess.

I am not arguing that if we want to build something in in terms of requesting sitting time, that should not happen. Quite realistically, if we were to try to ask for, say, five weeks now to cover both research and development and dealing with Bill 18 and Bill 20, we would not get it, given what some of the other committees are going to have to do. Some of the committees, quite frankly, are probably going to end up sitting almost the full eight or 10 or 12 weeks we are going to be off, given some of the bills they have to consider.

I do not have any problem if you want to say okay, two weeks or two and a half weeks to consider Bill 20 and if you want to leave clause—by-clause till we come back or till later on in the fall—

Ms Hart: So again we have not dealt with it.

Mr Pelissero: I guess we have not dealt with it, but I would like to see us—I will pick up on what Ms Hart says. Let's deal with it. If it is going to take two weeks, let's deal with it and then we have dealt with it and then we can move on to other agenda items. If you think two weeks is too long to travel around the province, based on the submissions, fine, I am happy to

live with one week's travel time depending on the submissions, but recognize that when you say one week, are we talking five days, seven days? You cannot travel this province in a hearing perspective, not unless you are willing to travel at night, in my estimation, under 10 days.

I have done it. I have taken a task force across the province, reviewing a different matter, but unless you are willing to travel at night and be there the next morning, it is almost physically impossible to have a hearing process and move with everybody. I am talking about Hansard and the clerks, all the translation material, if you are going to take any, and whatever.

That is why I said 10 days and then you put a week at the end, so three weeks of sitting time. Request three weeks of sitting time to include travel time and see where we go from there.

The Chairman: Perhaps, Mr Pelissero, your motion could be modified so that the budget and the request to the House leaders include sitting for Bill 20 and for whatever time we can find to work on the other matter, if it is the case that we do not have as much in the way of witnesses as some may think we are going to.

Mr Pelissero: Okay; no problem.

Mr Sterling: First of all, the committee's first order of business is always government legislation. That is accepted in practice. In fact, if the rules we are negotiating now are adopted, that will be said in the new standing orders.

The second thing is that while it is not essential that you have clause—by—clause or even that you have public hearings that would take place here in Toronto, there is a lot of logic to trying to have your hearings and then having your clause—by—clause fairly close together.

The Chairman: Right.

Mr Sterling: Although I have not seen it in this government, it should ideally be such that amendments would be based on evidence and you would have the same membership on the committee at the time you are doing your clause—by—clause as when you are doing your public hearings.

I just went through an unfortunate hearing on Bill 189, the court security bill, in the standing committee on administration of justice, where the five Liberals who showed up and carried the committee did not hear any of the public submissions, which I think is not satisfactory to the parliamentary process and is an insult to the people who came in front of the committee.

I think you asked for three weeks, three and whatever else. Three weeks would be my outside guess on what you would take. Possibly, you could do it in two, maybe one and a half, if the municipalities do not want to come ahead individually, and then do whatever else you have to do after that.

I think it is important to try to keep the committee together so that the members have the experience when they do the amendments. Hopefully, they will have a little bit of freedom to listen to reasoned amendments.

The Chairman: Do you like the idea then of asking for four weeks, budgeting for four weeks, and possibly using just two and a half or three for this? I hear what you are saying, that you would like to see clause-by-clause

follow as closely as possible after the hearings. Then maybe we would have time, and maybe we would not, for the adjustment process.

Mr Sterling: How many sections are there anyway?

Clerk of the Committee: There are 49 sections.

Mr Sterling: It could take some time.

 $\underline{\text{The Chairman}}\colon \textbf{I}$ certainly hear what you are saying with regard to having clause-by-clause in some proximity to the hearings.

Mr Sterling: I think you should give the clerk instructions to advertise. I guess you will need a budget before you can do that, but it is important that you advertise fairly soon so that you will have a better idea as you go along. We have \$40,000 in here for advertising. I do not know if he anticipated spending \$20,000 to \$25,000 on Bill 20. Maybe the clerk could answer.

Clerk of the Committee: The \$40,000 was to cover two advertisements, one on Bill 20 and one on prebudget consultations, assuming it would be anywhere between \$12,000 and \$20,000 per advertisement. That is why we did it up to \$40,000.

<u>The Chairman</u>: The committee has more or less decided it wants to get started early in the fall on the prebudget, so we would need that money now.

Mr Pelissero: In terms of the budget, the question is, would this budget include four weeks of sitting time?

Clerk of the Committee: This budget includes four weeks at Queen's Park and one week, which is five days, of travel throughout Ontario. That was a guess.

Mr Pelissero: And the \$184,000 budget, what was it?

<u>Clerk of the Committee</u>: That one included two weeks of meetings at Queen's Park, one week in Massachusetts, one week in California and one week in Ontario.

Mr Pelissero: On the other topic, did the subcommittee identify it?

Clerk of the Committee: Research and development.

Mr Pelissero: In terms of our budget request—this is for 1989-90. I am just going to throw this out for discussion to accommodate Mr Morin-Strom, whom I support. I suggest that we request five weeks' sitting time during our year: two and a half or three weeks on Bill 20 and the remainder, which we may have to tap into during the next break, on another topic.

Help me. I understand the process in terms of, if we just ask for three weeks now, we will not have much ability to come back and say that during the next break we want another two and a half or three weeks, and we will have gone over our budget. If we are going to ask, we need to ask for the whole—

Interjection.

Mr Pelissero: Oh, we can do that? Okay. Well, then I take it back.

<u>The Chairman</u>: I think what we are being asked to do is to give them a whole budget for the year, but some tell me the politics of it is that you do go back.

Mr Pelissero: Okay.

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Mr Sterling: If you advertise fairly soon on Bill 20, you are going to find out in a period of two weeks what kind of length of time those hearings are going to take. I do not think you should trap yourself. I will not be a member of this committee, but if you had some business to take care of or wanted to visit another jurisdiction, I think you would leave yourself that option. You might want to go to Boston some time in September, for instance, if you have finished off your other business and that is amenable to the committee at the time.

So why would you shut down that option at this point? My tendency would be to approve \$143,000 but add in one week of going to the other jurisdiction. Do they co-ordinate with each other? You could not do one without the other?

The Chairman: There are some pertinent calculations that are being made here right now. I think what I am hearing is that we ask for five weeks.

Mr Pelissero: Again, I would be guided by whoever in the sense that we need to move on Bill 20 and that as long as we feel that we are flexible enough that we can approach the powers that be to ask for additional time, come February and March, to deal with—

The Chairman: Who knows?

Mr Pelissero: Who knows? I do not know.

The Chairman: It may be that this can be done this way: we do the four-week budget plus one week travel time and we would still be considered not unreasonable. Apparently there is a magic figure of \$200,000. That is just a political comment that has been made to me.

Mr Morin-Strom: Right now, you have four weeks of meetings in Toronto and one week outside of Toronto. What if we put in three weeks in Toronto and two weeks outside, one of which is outside of Ontario and one of which is related to the subcommittee report?

If it turns out that we have lots of submissions in Ontario, we use the two weeks to travel in Ontario. If we can get this matter done in one week of travel in Ontario and just two or three weeks in Toronto, then we have time to start the other agenda item. It will depend on how many submissions we receive and that can be determined by the subcommittee later.

The Chairman: Let me get that again. You now have a total of five weeks—

Mr Morin-Strom: In other words, one week of travel in the United States, one week in Ontario and—

The Chairman: How do you approach Mr Pelissero's argument that you cannot do very much in one week in Ontario?

Mr Morin-Strom: I approach it by saying well, then we could -

The Chairman: In fact, we would then use that second week in Ontario. No one would object to that, surely.

Mr Sterling: That is right. I guess what you are requesting is two weeks to travel in or out of Ontario, with the clear understanding that Bill 20 is the primary business of the committee. If two weeks have to be used in Ontario to travel on Bill 20, then you do that. The other time that you are requesting is for clause-by-clause and hearings here in Toronto. It is just unpredictable how much you are going to need to travel in Ontario.

If, for instance, you get one submission from the regional municipality of Ottawa-Carleton, other committees often say: "This is a substantial body but it does not warrant the committee going down and making the expenditure of everybody travelling there and staying overnight, etc. We will invite them down here and we will pay one, two or three people, or whatever is required for them to appear before the committee here in Toronto." You can pull together the hearings that way if that is what happens.

Mr Morin—Strom: On most bills, travel to northern Ontario is essential, and it may be on this one as well. My perception, though, is that this is not as much of an issue in the north as many because the north does not have this kind of growth in suburban areas. My impression has been that certainly the municipality of Sault Ste Marie and the school boards do not really see it as an issue.

They do not think that there is enough development going on to make it worth while to start up lot levies. For most northern communities, they are not even seriously considering accessing this, because the amount that they would generate just does not make it worth while to them. It may be that just travel in southern Ontario is required but we will have to wait and see what the response to the advertising is.

The Chairman: That makes some sense. I think I am hearing a consensus on this and I think we will word Mr Pelissero's motion to accommodate the consensus. That consensus is essentially that we are going to ask for five weeks' sitting time, which would include two weeks of travel and it would include permission to leave the jurisdiction for one of those weeks of travel.

<u>Clerk of the Committee</u>: And that other jurisdiction would be Boston or California.

 $\underline{\mbox{The Chairman}}\colon$ It would be Boston or California. Is that what the subcommittee was choosing: one or the other?

 $\underline{\text{Mr Sterling}}\colon I$ do not think that any committee of the Legislature can justify going anywhere unless a decent program can be lined up.

I think that can only be determined after you find out how Bill 20 is going to split off and whether you have time to line up that program after that. I would suggest that three weeks from now, you will know the answer to the first question and you will say: "Well, there is an opportunity, probably in September some time, to do this. The House leaders have given us this time so let's decide if we can arrange a meaningful program to get the information that the committee wants to get in those jurisdictions."

I do not think you can choose one or the other at this time unless you have those programs already lined up.

The Chairman: But we do have to pass the budget today.

Mr Sterling: Yes. My party is willing to support a budget anywhere up to the \$184,000, because the majority of this budget is made up of dealing with Bill 20. I suspect the budget would come in at somewhere around \$165,000 or \$170,000 if you add that other week in. I am a bit caught here, Mr Chairman, but I want to indicate our support for anything up to the \$185,000 that the clerk feels is necessary in order to accommodate what I have heard in Mr Pelissero's motion.

The Chairman: I think we are safe. We do not have the exact figures here yet but I think we are safe, in the proposal that is on the floor, in assuming that we are going to come in under \$185,000.

Mr Sterling: Yes. I would expect that. Knowing what is here and what is proposed in these two budgets, I am willing to delegate our approval on the conditions that Mr Pelissero has put forward.

The Chairman: Any other comment? The rough figure that we come it with is \$176,314.

Mr Haggerty: I was just concerned about the matter of the trip being proposed to go to Boston and California and the matter of high technology. I do not know if it has been agreed by everyone in committee here, but is that final?

The Chairman: No. It has not really had a full discussion in full committee, to my knowledge.

Mr Haggerty: When can I expect that?

The Chairman: It was discussed in a subcommittee as being the concept for a thrust in our adjustment investigation: that we look at research and development particularly as it is going on in the United States. Massachusetts and California are two of the major areas of activity. I can indicate that Oregon is as well.

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Mr Haggerty: You can see some high technology right in Ontario that probably will compete with any of them on the American side, and if you are not aware of it, it is there. You have to go to Windsor, even London, Ontario, and probably other places.

Mr Sterling: Silicon North. Go to Kanata in the riding of Carleton.

The Chairman: Perhaps we should keep that as a resource. As I understand what we are asking for, it is something we obviously should do at some stage, and if it turns out we are unable to leave the country at this time, and we have the time, we could do that.

Mr Haggerty: No, I am still of the opinion that we could follow up on this free trade and just see how things are performing here. We see now that a number of industries are being purchased offshore, a considerable number of them, I guess. We should be taking a look at that to see what impact it will have.

The Chairman: I was not present at the subcommittee meeting but I

would think—and I am not sure what brought it up; I think Mr Morin-Strom raised the issue—we can be looking at that issue in the United States. Mr Morin-Strom did indicate earlier he would be interested in our going back to Washington.

But another way we can look at it is when we look at those industries in the United States, we can look at the way in which they reach out. I am thinking particularly of an industry that I saw this winter in Oregon, a very high-tech industry which centralizes all its activity there. It has a branch plant in Mississauga that does not do any original research and development.

That might be a pattern that we would be seeing and would be wanting to investigate. I do not think we would be forgetting the free trade issue, and that may be part of the reasoning in choosing the United States as a country to look at.

 $\underline{\mathsf{Mr Morin}\text{-Strom}}\colon \mathsf{Well},\ \mathsf{maybe}\ \mathsf{if}\ \mathsf{we}\ \mathsf{were}\ \mathsf{staying}\ \mathsf{on}\ \mathsf{the}\ \mathsf{eastern}$ seaboard, we would go for a couple of days to Washington and a couple to Boston.

The Chairman: We would hopefully leave ourselves free to do that decision-making later. But I see your point.

Mr Haggerty: You could still tie it in with research, but-

Mr Morin-Strom: I think the point that came out of the subcommittee meeting was that the Premier (Mr Peterson) had made quite a specific target, that he wanted to see Canada get up to 2.5 per cent of its gross national product in terms of R and D. We are one of the lowest in the western world in our percentage of R and D spending.

The Premier's Council has made high technology a major thrust and the Premier has said if it is going to happen in Canada—Ontario is where most of the research and development happens—it is going to happen in Ontario.

Mr Haggerty: I read that.

Mr Morin-Strom: In the United States it has been happening in certain areas where they are very specialized in terms of being very high-tech-oriented. Certainly California has been one and Boston has been another. We may want to look at particularly what those states might have done to help stimulate the expansion of high tech. If that is an objective the Premier's Council and the Premier himself, in terms of the target, how do we get to that?

The Chairman: Let's put the motion now and then we can have a subcommittee meeting to determine time and scheduling of advertising. Your motion includes advertising, does it not, Mr Pelissero?

Mr Pelissero moves that the clerk be instructed to place advertisements for the purpose of inviting oral and written briefs in relation to Bill 20.

Motion agreed to.

The Chairman: Mr Pelissero moves that the budget in the amount of \$176,314 be approved subject to revision to accommodate requirements sent out today, such revision to be approved by the chairman, and that the chairman be authorized to present this budget to the Board of Internal Economy.

Does that say what we have been saying? I guess it does.

Mr Haggerty: I thought it was part of that resolution I had here a week ago, that—

Mr Pelissero: That will be resolved by the House leaders.

Mr Haggerty: Are you sure?

Mr Pelissero: Yes.

Mr Haggerty: Or should pressure be put on from this committee?

The Chairman: That is another issue, Mr Haggerty. Let's put the question Mr Pelissero has just put. I think what we understand from that is that I am asking for five weeks of sitting time; I am asking for permission to be travelling for two weeks; and I am asking for permission to leave the country; and eventually, I guess, that the House leaders approve that we will be dealing with Bill 20 and with the adjustment process. I think they have to give us permission as to what we deal with, although we have stretched that in the past.

Are we ready to vote on that? All in favour? Carried unanimously.

Motion agreed to.

The Chairman: Do you need a subcommittee meeting to okay the wording of the advertisement or are you prepared to leave that to the chairman?

Mr Morin—Strom: My only concern is that the ad be understandable to people; that it contains not only the title but also "lot levy." I think it has to say lot levy in it somewhere so people know what the subject is.

The Chairman: I think that is important. I think we should not lose sight of the fact that the select committee on education very recently placed an ad talking about the cost of funding education, and we need to differentiate what they are doing from what we are doing. I would agree with you and ask you to remind me of that. With the understanding that we make that very clear in the ad, is it all right for the chairman to okay the ad? Okay.

I take it that the report of the subcommittee was discussed briefly last time. It now has been discussed in some detail, I suppose, although Mr Haggerty did go to the crux of the debate a minute ago and perhaps for the first time. I take it that it is appropriate either to adopt or amend the report of the subcommittee. It is on the floor.

Mr Morin-Strom: I think the subcommittee's report has been superseded by the motion we have just passed and the fact that the first priority now is Bill 20, and we will have to look at how much time might be available after Bill 20 to start addressing some of these other items. I think the subcommittee will have to get together later when we know how many submissions we have for Bill 20.

The Chairman: There is no need, then, for the committee to make any particular comment on the report of the subcommittee, that being said on the record. We will just let that hang.

Is there any other business, excepting Mr Haggerty's motion?

I am going to vacate the chair and let Mr Pelissero chair the motion.

Mr Haggerty: Do members have copies of that motion?

The Chairman: This was a motion placed by Mr Haggerty before the committee several weeks ago which we have tabled from time to time. It has to do with remuneration to the chair, so I am going to not only vacate the chair, I am going to vacate the room.

 $\underline{\text{Mr Haggerty}}\colon$ I think I have shown the motion to the opposition members of the committee. The first motion was:

"I move that the chairman of the standing committee on finance and economic affairs' indemnity as a member shall be paid at the rate of schedule comparable to the Chairman of the committee of the whole House, subject to the approval of the Board of Internal Economy."

The reason I introduced a motion of this nature is that the working of the Legislature today is being done more in committees than in the House. I know the workload that is put on the shoulders of the chairmen of many of the standing committees and I thought they should have a rate of indemnity the same as the committee Chairman of the whole House. These fellows work hard, any of the chairmen work hard, and they should be brought up to par.

The Vice-Chairman: Just before you carry on, the motion you made, from my understanding under advisement from the clerk, is out of order in the sense that we cannot make that kind of motion. We can certainly take a recommendation from this committee to the House leaders that thus and such happen, but we cannot make a motion changing the Legislative Assembly Act. Do you have a wording that—

Mr Haggerty: I have two other suggestions here. Here are the other two choices:

"I move that the committee write to the government House leader requesting that clause 64(1)(c) of the Legislative Assembly Act be amended to provide that salaries of committee chairmen be paid at a rate comparable to that of the Chairman of the committee of the whole House."

The Vice-Chairman: That sounds like a pretty good one.

Mr Haggerty: It is almost similar to the other one. The other one is more directed, though, to the Board of Internal Economy.

The Vice-Chairman: Which is where it should go.

Mr Haggerty: That is where it should go. Now comes the "or." There has to be a lawyer drafting this one.

"I move that the committee write to the Commission on Election Finances and recommend that during its annual review of indemnities and allowance of members of the assembly, as provided in subsection 72(2) of the Legislative Assembly Act, it recommend that the committee chairmen be paid at a rate comparable to that of the Chairman of the committee of the whole House."

 $\frac{\text{The Vice-Chairman}}{\text{that in this case the clerk is advising that it be the vice-chairman who writes to the government House leader as opposed to the chairman doing that, and I am prepared to do that.}$

 $\underline{\mbox{Mr Haggerty}}\colon \mbox{It says, "I move that the committee write" to the government House leader.$

The Vice-Chairman: Fair enough.

Mr Haggerty: I was just looking at "government House leader." What do you call the other leaders in the opposition?

The Vice-Chairman: They are all House leaders.

Mr Haggerty: This just says "House leader." That is what bothers me.

The Vice-Chairman: The clerk has informed me that an amendment to the Legislative Assembly Act is initiated by the government House leader, so that is the proper wording in this case.

Mr Haggerty: I see. Okay.

The Vice-Chairman: Would you read that again for the record?

Mr Haggerty moves that the committee write to the government House leader requesting that clause 64(1)(c) of the Legislative Assembly Act be amended to provide that the salaries of committee chairmen be paid at a rate comparable to that of the Chairman of the committee of the whole House.

Motion agreed to.

 $\underline{ \mbox{ The Vice--Chairman: Seeing no other business before us, the committee stands adjourned.} \\$

The committee adjourned at 1134.



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

ONTARIO MUNICIPAL IMPROVEMENT CORPORATION AMENDMENT ACT, 1989

THURSDAY 6 JULY 1989

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

CHAIRMAN: Cooke, David R. (Kitchener L)

VICE-CHAIRMAN: Pelissero, Harry E. (Lincoln L)

Cleary, John C. (Cornwall L) Ferraro, Rick E. (Guelph L)

Haggerty, Ray (Niagara South L)

Hart, Christine E. (York East L) Kozyra, Taras B. (Port Arthur L)

Mackenzie, Bob (Hamilton East NDP)

McCague, George R. (Simcoe West PC)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Pope, Alan W. (Cochrane South PC)

Substitution:

Morin, Gilles E. (Carleton East L) for Mr Cleary

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witness:

From the Ministry of Treasury and Economics: Hart, Christine E., Parliamentary Assistant to the Minister of Treasury and Economics (York East L)

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 6 July 1989

The committee met at 1011 in committee room 1.

ONTARIO MUNICIPAL IMPROVEMENT CORPORATION AMENDMENT ACT, 1989 (continued)

Consideration of Bill 18, An Act to amend the Ontario Municipal Improvement Corporation Act.

The Chairman: Perhaps we can get started. On behalf of his party, Mr Runciman has indicated that we can proceed with this bill in his party's absence, it being the case that he has other duties in the House right now and is the only Conservative who can appear this morning because of scheduling problems in that caucus.

There are officials here again from the Ministry of Treasury and Economics and Ms Hart is here as parliamentary assistant to the Treasurer. Do you have any comments you wish to make?

Ms Hart: No. The officials briefed us last time. I am happy to answer questions. Given that it is a very short piece of legislation and that it has been only a week since we have had the briefing, I have no opening statement to make.

The Chairman: Mr Morin-Strom, do you have any comments you wish to make?

Mr Morin-Strom: Just a brief one. I would like to reiterate the concerns that our party's finance critic expressed within the debate on second reading that this bill, on a stand-alone basis, does not do very much, but it does indicate that the government's direction continues to be of putting more and more of the burden of financing local services and local education on the backs of local property taxpayers.

It is consistent with the government's holdback of transfer payments to municipalities and with its attempt to see municipalities use the property tax base and, in this case as well, additional borrowing capacity from individual municipalities as a basis for financing local services, as opposed to the government's fulfilling a greater portion of the role in supporting local municipalities and local school boards.

So I just reiterate our party's opposition to the direction that this bill indicates.

The Chairman: Are there any amendments that anyone wishes to propose to the bill? I am prepared to deal with the bill clause by clause now.

There are four clauses in the bill. Is there any opposition to dealing with the four clauses together?

Sections 1 to 4, inclusive, agreed to.

Preamble agreed to.

Title agreed to.

· Bill ordered to be reported.

Mr Morin: It is like being in church.

Mr Ferraro: I would like to compliment the parliamentary assistant.

<u>Mr Pelissero</u>: Yes, for skilfully handling that, though I would not report that in your householder.

Ms Hart: No.

The Chairman: I just want to report to the committee that following last week's passing of our budget, which I think really did need to wait until last week in view of the lack of knowledge as to what work is being sent to us by the Legislature, the clerk and I attended on the Speaker because we found that the next meeting of the Board of Internal Economy will not occur until, I believe, 17 July.

That meeting will likely be cancelled if the House is not sitting at that time. So at the moment we are canvassing individual members of the Board of Internal Economy to have them approve our budget. If there are any members who wish to discuss that with individual members of the board, they are quite welcome to do so. We have also written to the House leaders seeking permission to sit during the break, in accordance with the discussions that took place.

Any other business you wish to discuss?

Ms Hart: Mr Chairman, I can move to the other side if you would like to make this observation, but I understand that this committee may be the committee that is dealing with the pension bills.

Mr Pelissero: If they are passed.

 $\underline{\text{Mr Morin-Strom}}\colon \mathsf{Hang}$ on just a second. Have we not already had one? Bill 20?

The Chairman: Bill 20 is not a pension bill. It is a bill dealing with lot levies.

Mr Morin-Strom: Oh, lot levies. All right.

Ms Hart: That is right.

 $\underline{\text{The Chairman}}$: I do not think the pension bills have received second reading yet.

Ms Hart: I do not believe they have.

Mr Morin-Strom: I understood they would not be until the fall.

Ms Hart: That is what I wanted to ask. I thought that that might happen this summer, in which case we might want to have some preliminary discussion, but if your understanding is different, then—

Mr Morin—Strom: I do not know. The last word we got from our House leader was that the bills were likely to get second reading in the fall and be dealt with in committee in the fall.

Ms Hart: Perhaps I will raise it anyway because some of the teachers from the Ontario Secondary School Teachers' Federation came to see me yesterday. I think they have come to see many of us. They were asking, "When is it?" First of all, they wanted public hearings, and they were asking, "When is that likely to occur?"

The Chairman: The sooner the better. Is that what they are saying?

Ms Hart: No, I do not think so. I think they would like to have it in the fall. I know there are so many unknowns at this stage, such as when are we coming back—

Mr Morin: When are we leaving.

Mr Pelissero: Never mind when we are leaving.

Ms Hart: When are we leaving—this is true—and when are we going to even possibly be able to hold hearings. If they do not come to us until the fall, does that mean that we will not be able to hold hearings until the winter intersession? Is that—

<u>Mr Pelissero</u>: From a travelling perspective, no, but you can certainly hold hearings if interested parties want to come to Toronto. But in terms of a travelling input section, then it would be restricted until January or February.

Ms Hart: If that is the case and there is a wish by the House leaders to deal with this in the fall, I do not know if other committees have done this, but I throw it open as a suggestion—

Mr Pelissero: To hold hearings after first reading.

Ms Hart: — that we might have—I do not know whether it would be conference calls or it may be that through TVOntario we can do what the Supreme Court of Canada does and have people appear by videophone, if we cannot get out to them during the fall session. I am not aware that that has occurred in other committees, but I thought I would raise it.

Mr Morin: It was proposed but it never occurred. We proposed in the standing committee on the Legislative Assembly to do that to save money:

Mr Ferraro: Probably a hell of a lot safer too.

Ms Hart: Is it possible this is something that the committee is willing to even look into? That is why I raise it, because I know a lot of people would like to make presentations on these bills and we may be in a box in terms of not being able to get outside of Toronto.

1020

The Chairman: Apparently a conference call hearing has occurred in committee, although not with video. So the principle would seem to not be—unless you have some other information.

Mr Morin: No, we have never tried it, but I think it is feasible.

Mr Pelissero: Is there anything stopping us if we want to do public input in terms of a travelling session before we actually get the bill, such as after it is introduced, after first reading? Just a suggestion.

The Chairman: I do not know that there is anything stopping us, unless it is the—

Mr Morin-Strom: The former clerk was shaking his head.

The Chairman: We have looked at the idea of looking at pensions in general as one of our own projects. Is there anything wrong with that?

<u>Clerk of the Committee</u>: I think that one of the members did bring this up in the subcommittee and there seemed to be some disagreement about whether or not it was possible to do that.

The Chairman: Politically?

Clerk of the Committee: Politically and procedurally.

The Chairman: Is it a procedural problem? It is a question of interpreting our mandate, apparently.

Mr Morin-Strom: I think it is premature to get into formal process. If the bill were not formally given to the committee, whatever would take place would not be a formal part of the consideration of that bill.

The Chairman: No, I do not think it would be. It would be merely a committee looking at principles and discussing them. It probably would not accomplish a great deal in so far as I suspect that a lot of the people who spoke to us under those circumstances would want to speak again subsequent to second reading. But it is an idea.

In view of the fact that this issue has been raised and we are not certain where we stand in regard to the bill's being sent to us, would the committee wish an addendum to the budget to allow for this, just in case second reading is finished before the House rises? That could be prepared for next week obviously.

One is shaking his head no and one is shaking his head yes.

Mr Morin-Strom: Until we know that we are going to get the bill, I think it is premature to consider that. I think the more relevant issue is, what is the status of Bill 20? Are the ads in the newspapers already? When are we going to be able to get an assessment of hearings?

The Chairman: The purpose of my attending with the clerk in front of the Speaker was to seek his advice in view of the fact that we were not getting our budget in front of the Board of Internal Economy. There are several committees in this situation.

The Speaker refused us permission to spend money on advertising until we get the board to agree. What we need to do now is to get the individual members of the board to agree. That is a process that is commencing today with my speaking to the members individually. Then we can place advertisements.

The ministerial people from both the Ministry of Municipal Affairs and the Ministry of Education can be here next week to discuss the bill in general with the committee, if that is the committee's wish. The alternative activity for next week could be that the first volume of the third Premier's Council report has now been released. That has to do, of course, with our own mandated investigation into adjustments. It might be appropriate some time soon to discuss their volume with members of the Premier's Council. Either one of those topics could be the subject of next week's meeting.

Mr Morin-Strom: Based on our meeting last week, I understand we have agreed that the legislation is the number one priority. I would think that we should start addressing that, provided the two critics are available or agree to start the process. If the clerk can get the agreement from the two critics to start that, I would think that should be what our first item should be.

<u>Clerk of the Committee</u>: There are actually five critics to co-ordinate, because the bill is split between Municipal Affairs and Education. I think the Progressive Conservatives have two Municipal Affairs critics, so we are trying to co-ordinate five critics around Bill 20.

 $\underline{\text{Mr Morin-Strom}}\colon I$ think you should determine from each party who is going to be primarily responsible. I do not think you are likely going to have five critics sitting in here.

The Chairman: Can you give us any information as to whether your party is prepared to deal with Bill 20 next week? Frankly, we are having problems with critics in both parties on Bill 18.

Mr Morin-Strom: But they have agreed to allow it to go through. The point is they have to be notified that it is going to be dealt with and asked whether they are going to insist on being here, have a substitute or whether they want it delayed. If they are amenable, then I think that should be what we start with.

The Chairman: The critics have all been informed that the committee is ready to deal with Bill 20 and we have not had any response from them. That would have happened yesterday, so perhaps you can inquire and ask.

Mr Morin-Strom: I can ask our critic.

Ms Hart: Perhaps because of the difficulty in people's scheduling, understandably, maybe we could do it as an alternative that we will canvass the critics to see if they can be available. If they can, we will do the briefing. If not, perhaps we will take your alternative suggestion and deal with the volume of the Premier's Council report.

The Chairman: You took the words right out of my mouth. I think that meets Mr Morin—Strom's well—founded statement that we should be dealing with legislation first, and yet we do want to accommodate the critics if we can.

Mr Ferraro: On a point of clarification, Mr Chairman: It is being suggested by the parliamentary assistant for the Treasury that if critics are not available we do the briefing on what? The Premier's Council or the bill?

The Chairman: The Premier's Council.

Mr Ferraro: Okay.

The Chairman: The critics would want to be here.

Mr Ferraro: I was going to say the critics would want to be here.

The committee adjourned at 1026.



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

DEVELOPMENT CHARGES ACT, 1989

THURSDAY 13 JULY 1989



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

CHAIRMAN: Cooke, David R. (Kitchener L)

VICE-CHAIRMAN: Pelissero, Harry E. (Lincoln L)

Cleary, John C. (Cornwall L) Ferraro, Rick E. (Guelph L)

Haggerty, Ray (Niagara South L)

Hart, Christine E. (York East L)

Kozyra, Taras B. (Port Arthur L)

Mackenzie, Bob (Hamilton East NDP)

McCague, George R. (Simcoe West PC)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Pope, Alan W. (Cochrane South PC)

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Municipal Affairs:

Polsinelli, Claudio, Parliamentary Assistant to the Minister of Municipal Affairs (Yorkview L)

Cowin, Dan, Economist, Grants and Finance Policy

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 13 July 1989

The committee met at 1014 in committee room 1.

DEVELOPMENT CHARGES ACT, 1989

Consideration of Bill 20, An Act to Provide for the Payment of Development Charges.

The Chairman: I would indicate on the record simply what I have been discussing previously. The Board of Internal Economy is going to meet on Monday 17 July immediately following routine proceedings. We are the first item on the agenda. If our budget is accepted at that time, we will fax instructions to an advertising agency to place in newspapers on that day. I expect that means the advertisements could conceivably start at the end of that week, but likely on Monday 24 July. I suggest to the committee that this would mean that we should give until about Friday 11 August for at least an indication to us of whether people wish to make oral submissions. Certainly we could accept written submissions later than that.

We have at the moment approximately 20 groups and people that have indicated they wish to discuss Bill 20. They include a number of legal firms, incidentally, and other groups and associations whose addresses are indicated generally in the Metropolitan Toronto area, although we have one from Barrie, one from Newmarket, the regional municipality of York, and, I understand, one from Ottawa. I know we did discuss travelling, but I think the interest in this bill is probably restricted to the high-growth areas.

Mr Haggerty: Are the lawyers representing any developers, firms, companies or corporate interests?

The Chairman: Yes. Goodman and Carr have indicated they are representing developers. McCarthy and McCarthy did not say. It is obviously a question you can ask if they do not say it up front.

Mr Haggerty: I was just wondering if they are all representing developers. Usually the developers have an association themselves instead of having 20 different lawyers come in here. They could tie up the committee meetings without any other representation being made.

The Chairman: If we wish to do that, there are also some towns: the town of Vaughan, the regional municipality of York—

<u>Mr Haggerty</u>: Is the Association of Municipalities of Ontario interested in it? Did they make a representation too?

The Chairman: Yes, and the Urban Development Institute Canada and the Toronto Real Estate Board. It depends how far you want to go in trying to force them to group together, I suppose.

We have with us this morning—and I understand we will have spokespeople on this bill from each of the opposition parties here—Claudio Polsinelli, the parliamentary assistant to the Minister of Municipal Affairs (Mr Eakins), and

Dan Cowin, an economist with the grants and finance policy branch of the Ministry of Municipal Affairs, to speak on the municipal affairs aspects of the bill. It is anticipated that we will hear from the Ministry of Education next week. Welcome to the committee, Mr Polsinelli. Perhaps you can make a statement.

MINISTRY OF MUNICIPAL AFFAIRS

<u>Mr Polsinelli</u>: I was thinking that in terms of the procedure this morning perhaps I could be allowed to make an opening statement, after which Dan Cowin would take the committee through the technical aspects of the bill, if that meets with the committee's approval.

Today I will be speaking about parts I, II and IV of Bill 20, which deal with municipal development charges, front—end financing and various phase—in provisions respectively. My colleague Charles Beer, the parliamentary assistant to the Honourable Chris Ward, Minister of Education, will be discussing Part III of the bill, which deals specifically with development charges related to education capital costs, at the next sitting of this committee.

As members of this committee know, lot levies and front—end financing agreements are tools for raising the revenues required to build infrastructure and new developments. They have a long and often turbulent history. The theory behind development charges is that growth should help pay for the costs it generates and that the capital costs of new development should, by and large, not be borne by existing residents.

Development charges have long been an important source of municipal revenue. The government's aim in bringing forward this legislation is to address a host of problems which have arisen over the years as the result of the somewhat vague existing legislative authority.

Perhaps I can briefly outline the events which led to the introduction of Bill 20 so that you may better appreciate the need for this legislation. Many municipalities, especially those in high-growth areas, currently impose lot levies or development charges and have done so for many years. The authority for these levies is found in subsection 50(5) of the Planning Act. It empowers the minister, or a municipality to which the minister's powers have been delegated, to impose conditions on the approval of a subdivision agreement which are reasonable, including the provision of municipal services.

1020

Unfortunately, opinions about what is or is not reasonable vary considerably, especially in discussions about how lot levies should be calculated, what services and costs should be included in levy calculations and a host of similar issues. Not surprisingly, these issues have too often been settled at the Ontario Municipal Board or in the courts. For example, a considerable number of cases have dealt with the issue of what municipal services can be included in lot levy calculations. Developers have tended to argue that only those services necessary in order for a new home buyer to move in—such as sewer, water and roads—should be included.

Municipalities, on the other hand, claim that the capital costs of other municipal services are also reasonable as they must be provided, and should not impose a burden on existing ratepayers merely because they are not required on the day a home owner moves into the subdivision. Unfortunately,

the body of case law has not always been clear and there remains significant uncertainty regarding the issue of what are leviable services.

A second problem is that the current legislation allows development charges to be imposed only in situations where subdivision agreements are signed. In cases where the development is occurring without the need for such agreements, no charges can legally be imposed despite the fact that the development may increase the demand for services.

The problems of uncertainty and vague legislative authority are even more pronounced in the area of front—end financing. Front—end financing describes a situation in which a developer is required to construct capital works at his own expense, which will be of benefit to future land owners. This upfront payment will enable a development to proceed at an earlier time than municipal servicing would normally allow. These capital works most often involve sewers, water services and roads.

At the moment, there is no general legislative authority to enter into front—end financing agreements or to collect money from future developers to reimburse the original front—end development. In some instances, municipalities have received special legislation to permit them to enter into this type of agreement. For others, the authority is far less clear.

In order to bring greater structure and certainty to the areas of lot levies and front—end financing, the Honourable Bernard Grandmaître, then Minister of Municipal Affairs, established a working group on lot levies and front—end financing in 1985. The group included representatives from AMO, the Urban Development Institute, the Ontario Home Builders' Association and the Ministry of Municipal Affairs. Their goal was to reach consensus on as many of the contentious issues as possible, so that legislation which had broad—based support could be introduced.

After several years of discussion, several key issues remained unresolved. In April 1988, the current Minister of Municipal Affairs, the Honourable John Eakins, released a paper entitled Lot Levies and Front-End Financing, which summarized the positions of the various parties.

On 12 December 1989, the Treasurer of Ontario, the Honourable Robert Nixon, issued a green paper entitled Financing Growth-Related Capital Needs. The paper was important in a number of respects, but two key points are particularly noteworthy. First, it introduced the government's intentions regarding lot levies for education purposes and, second, a compromise on one of the key outstanding issues was incorporated into the proposal.

This involved the use of a narrow definition of capital cost, which was supported by the development industry, in return for the inclusion of all municipal services as eligible for development charges. This compromise was first suggested to the working group on lot levies by the Deputy Minister of Municipal Affairs. It was an attempt to break the impasse and to initiate a constructive dialogue which would ultimately lead to legislation all parties could live with.

An interministerial committee of directors was also established as a result of the green paper. The committee included representatives of the Ministry of Treasury and Economics, the Ministry of Housing, the Ministry of Education and the Ministry of Municipal Affairs. It reviewed a large number of briefs from municipalities, school boards and private sector interest groups, including developers and the home builders' associations.

After weighing the comments received, the committee recommended legislation which departed from the green paper in several key areas, reflecting a number of positive suggestions. By and large, the municipal components of Bill 20 reflect the consensus discussed and largely agreed to by the working group on lot levies.

Once enacted, Bill 20 will add structure and certainty to the process of imposing development charges. Municipalities will be permitted to pass development charge bylaws to cover up to 100 per cent of the net growth-related capital costs for basically all municipal services on a very broad range of development. In essence, what this means is that development charges can only be charged for capital costs as defined in the bill. They must be net of all government grants or other contributions, and the services being considered must be required to accommodate growth.

I must make it perfectly clear to the committee that development charges cannot be imposed for expansion of existing dwelling units or the creation of an additional unit in an existing residence. The purpose of this exemption for housing intensification projects is to encourage and foster the creation of more affordable housing units within existing, often underutilized, residential units.

One enacted, Bill 20 will also establish procedures for passing development charge bylaws. The process will essentially mirror that used in passing zoning bylaws and official plans. As a result, municipalities should be quite familiar with the process, which ensures a significant degree of public involvement. The process imposes an obligation on the municipality to provide information about development charges to the public. Accountability will also be enhanced by the requirement that municipalities stipulate in their bylaws the schedule of charges, the type of land to which they apply and the services for which levies are being imposed.

Before a bylaw can be passed, council must hold at least one public meeting to present its proposal for a development charge policy. Anyone who wishes to make representations at the meeting will be afforded the right to do so through this legislation.

Once a bylaw has been passed, anyone with an interest and concern may launch an appeal to the Ontario Municipal Board within 20 days. Upon appeal, the OMB will have the authority to lower the development charge or order the bylaw repealed. It will not be given the power to increase the development charge. Successful appeals could result in the municipality refunding with interest the difference between the charge allowed by the board and the actual charge paid by the developer.

As a result of Bill 20, all bylaws related to development charges will have a maximum lifespan of five years. At the end of that period, a municipality must pass a new bylaw if it wishes to continue imposing development charges. Before doing so, however, it must review its existing charges and hold public meetings in the same manner as it did to pass its original bylaw.

Municipalities are assured of receiving the development charges owed to them because they are not permitted to issue building permits until all charges, including those for education purposes, have been paid.

A major concern of the development industry has been that levies are not always strictly accounted for or spent on the services for which they are

collected. Although municipalities will still have the flexibility to reallocate development charge revenues to other services by bylaw, as a result of this bill they will in the future be required to account publicly for the use of these revenues.

The regulations accompanying Bill 20 will require the municipal treasurer to prepare a statement for council which provides a detailed accounting for each reserve fund established under the act. Part I of the bill also deals with a number of more specific matters such as who will collect the charges, when they will be paid, the granting of credits for services in lieu of payments and the procedure for dealing with complaints arising from the application of the development charge bylaw.

The provisions of this bill relating to front—end finance agreements are purposely quite general. It is the government's intention to provide substantial flexibility to developers and municipalities in negotiating mutually acceptable agreements. I might add that all parties agree with this strategy.

Municipalities will be permitted to enter into front—end financing agreements with owners who wish to accelerate development of their land and to have those owners pay municipalities up front for the capital costs of the sewers, water and roads that are necessary to permit the development to proceed. In addition, municipalities will have firmer ground to charge subsequent developers for their share of the costs paid by the original front—end developer.

I believe this bill is a significant improvement over the current situation. It provides structure and certainty where none currently exists. It has benefited from a good deal of consultation involving the Association of Municipalities of Ontario, the development industry and the province. This bill represents a compromise in several key areas and therefore neither the municipal sector nor the private sector is wholly satisfied with its provisions. However, I feel that the bill balances the legitimate interests of the key parties in a way which is both fair and workable. It should satisfy not only today's needs but those of future generations as well.

1030

At this point I would like to introduce Dan Cowin, of the ministry's municipal finance branch, who will take the committee through the technical aspects of the bill.

<u>Mr Cowin</u>: It is my intention to go through the bill hitting the highlights and to entertain questions on specifics after that. However, if the committee desires to go through clause—by—clause in a more specific way initially, then that can be accommodated as well.

The Chairman: I rather imagine they do not. I am not seeing any sign that they do, so go ahead.

Mr Cowin: The parts that the Ministry of Municipal Affairs is responsible for include parts I, II and IV. The bill begins in section 1 with a series of definitions. I would draw the committee's attention to four definitions in particular, because in many respects this legislation is driven by these key definitions.

The first definition of importance, and they build upon each other in a

building-block fashion, deals with "capital cost." The second definition, and we can discuss these definitions at length afterwards, deals with "net capital cost." The notion here is that once you have determined your capital cost, a municipality is under an obligation to deduct from that cost whatever grants or contributions it may receive. The third definition is "growth-related net capital cost." Under this definition, a municipality is obligated to demonstrate that the capital costs it has incorporated into its calculation are those generated by growth.

Once you have done those three exercises, determined capital costs, netted off grants and contributions and determined the growth-related component, it is those costs which are eligible to be incorporated into a development charge.

The second section of-

Mr Pelissero: Excuse me. You said it was four definitions? I got three of them.

Mr Cowin: The last definition is "development charge." Those three together build up to the definition of "development charge."

Mr Pelissero: Okay. Thank you.

Mr Haggerty: Can I ask a question for a point of clarification? On the matter of "front-end services," normally in a development that takes place—I am thinking of communities in my area, for example—municipal bylaw comes into effect; normally there are impost charges and that. But when they are constructing a new subdivision, for example, water and sewer services are installed, even roads are installed, and if you want the Cadillac the curbs and storm sewers are all installed. That charge is at no cost to the municipality, it is a direct cost to the new land owner, you might say. That cost is passed on to him. Is there another charge on top of that that you are telling me will take place?

Mr Cowin: Yes. I am just trying to look through to find out where that exemption comes in. I believe it is under section 3. We will deal with that, but we call those site-specific services, which municipalities expect developers to pay, as you have suggested. Those are separate and apart from the development charges that are imposed by the municipality.

<u>Mr Haggerty</u>: They may vary, but really there is no charge to the municipality for any cost of the services. It is all charged to the new home buyer.

 $\underline{\text{Mr Cowin}}\colon$ Those site-specific charges are charged to the developer. How much of that he shifts forward, of course—

 $\underline{\text{Mr Haggerty}}\colon But$ in the past, impost charges then would apply. Have I interpreted it correctly that—

<u>Mr Cowin</u>: The municipality may or may not have had additional impost charges.

Mr Haggerty: Normally in my area there is an impost charge after that. That impost charge and the collection of impost fees go into a reserve fund. If I am correct in this, that reserve fund is for further expansion in, say, water projects, such as the treatment plant, and sewage treatment facilities.

Mr Cowin: Whatever service they designate.

Mr Haggerty: But that is usually what the impost charges are there for. When you look at this, though, is there not really going to be a double whammy hit here? When you talk about affordable housing—

The Chairman: I think we got some clarification there, Mr Haggerty.

I have some concerns in that area too, but perhaps we can let Mr Cowin finish and then we can come back and talk about it.

 $\underline{\text{Mr Cowin}}$: Section 2 of the act merely sets out the administration and makes clear that the Ministry of Municipal Affairs is responsible for part I, II and IV and that the Ministry of Education is responsible for part III of the act.

The third section deals with a number of matters. First, I suppose it empowers municipalities to pass development charge bylaws. It is section 3 of the act in which you find the definition of development, which is key. Incidentally, on the power to pass bylaws, we have specified certain things in the act which must be contained in a development charge bylaw: the schedule of charges, the lands to which they are to be applied and so forth. There are a number of matters which are optional.

You also find there the intensification exemption for housing intensification projects, which Mr Polsinelli referred to, and we see the exemption for site-specific works that we have just been making reference to.

Section 4 deals largely with the appeal and approval process: the passing of a bylaw, the holding of public meetings, who can appeal the bylaw, when they can appeal the bylaw and what process they go through in order to appeal the bylaw. All of that information is laid out in section 4.

Mr Polsinelli: I should add at this point that in terms of appealing the bylaw, it can only be appealed at the time the municipality is in the process of passing the bylaw. There is a misapprehension among some local councillors whom I have spoken to that a developer would be able to appeal the bylaw at any point, such as when his project comes up for development. That is not the case. At that point, all they could appeal is the calculation of the charges, not the process under which the charges were developed.

Mr Ferraro: I have a quick question on a point of clarification. When you look on page 5 about the limited exemption, I wonder if the parliamentary assistant could tell me whether the exemption applies to churches.

Mr Cowin: The exemption does not apply to churches.

Mr Ferraro: Has that always been the case? Have churches always had to pay impost charges?

Mr Cowin: I suppose that would vary from municipality to municipality, but the general thrust is that this is deemed to be a special charge. The thrust is that special charges under the Local Improvement Act and sewer and water charges will all become charges which we are going to apply to lands which are otherwise exempt from taxation. I think it is fairly safe to say that is the general direction our ministry is moving in.

Mr Ferraro: I am sorry. Maybe my mind went to sleep. Are we saying

that we have always allowed municipalities to charge impost charges for churches and that we will be continuing to do that? Is that what you are talking about?

Mr Cowin: I think I am saying that we are moving in that direction. Whether the municipalities in the past have made those charges would have been up to those municipalities.

Mr Ferraro: Can you give me an idea, roughly, out of the 826 municipalities, how many would have charged impost fees and how many would be exempt?

Mr Cowin: I have no idea. We currently have records of reserve funds for this kind of thing for over 300 municipalities, but certainly out of the largest 100 municipalities, the levies begin to get relatively modest by the time you get down to the 80th. I would be inclined to say that there are only about 80 or 90 municipalities that have significantly sized levies. I really could not tell you how many have charged levies against churches.

Mr Ferraro: Let me ask the parliamentary assistant this: Is it consistent with the ministry's feeling that the option of exempting churches should not be considered?

<u>Mr Polsinelli</u>: You are referring to churches, but what this does is basically impose the right of the municipality to charge development charges against all property, even though the property may be exempt under the Assessment Act. There are more classes of property other than churches that are exempt under the Assessment Act.

Mr Ferraro: I understand that.

Mr Polsinelli: So the feeling, I guess, is that even though the property may be exempt from paying municipal taxes, in terms of the growth-related expenses that it would impose on any municipality, it would be they who should pay that growth-related expense and not the balance of the municipality.

Mr Ferraro: I will just put it on the record—I look forward to further discussion on this—that I do have some difficulty with granting exemptions for schools and not churches.

1040

Mr Polsinelli: I think it is an item that we can discuss further in the future. Perhaps it is an inappropriate time now to get into a policy discussion.

<u>Mr Pelissero</u>: To the researcher, can we get a list of which ones are currently exempt under section 3 of the Assessment Act? Thank you.

 $\underline{\text{Mr Cowin}}$: I think I was moving on to section 5. A development charge bylaw takes effect on the date that it is passed. Appeals and amendments are retroactive to that date.

Section 6 discusses a municipality's ability to pass new bylaws and to amend its bylaw. Despite the fact that a bylaw has a specified term, we did not want there to be any confusion that the municipality was unable either to pass new bylaws or to amend its bylaw during that term. That is why we have that section in there.

Section 7 elaborates on much the same thing, on amendments. Amendments are permitted. Amendments will follow the same procedures as a normal bylaw; that is, public meetings and so forth. Amendments would be subject to appeal at the Ontario Municipal Board, although the standard approach to these sorts of things is that an amendment would be much more limited in its scope. A minor amendment would not offer an opportunity for a developer to make a wholesale appeal of a bylaw.

Section 8 of the legislation deals with complaints to council on the application of a bylaw. This differs somewhat from section 4, which is a general appeal on a bylaw. Section 8 deals with the complaint on how it was applied. If a developer is building 30 houses and gets charged lot levies or development charges for 40, then that is when he would utilize the provisions of section 8 and go to council.

Section 9 deals with the timing of payments. Ordinarily, the normal time for payments is the building permit stage. That is the norm. We provide a section or provisions for early payments at the signing of a subdivision agreement for certain services such as sewer, water and roads, because in most instances they have to be installed before sites can be developed. We also provide for payments later than the building permit stage in situations where developers and municipalities have negotiated a specific agreement to permit that.

Section 10 deals with collection issues. The general rule of thumb on collection is that lower-tier municipalities do the collection for the upper tier, themselves and the school boards. There are some exceptions contained in section 10, and they are in there because of the situation in Haldimand-Norfolk.

The lower-tier collection, incidentally, is necessary because of the fact that we have tied the issuance of a building permit to the payment of a development charge, and in the vast majority of instances, lower-tier municipalities are in charge of issuing building permits. The one place where that is an exception is the region of Haldimand-Norfolk, where the upper tier issues the building permit, so we have some sort of exceptional clauses in section 10 to allow for that situation.

Section 11 merely allows the municipality to register the charge as a lien against the land.

Section 12 allows the municipality to add to the municipal tax roll any unpaid charges so that the charges can be collected like taxes.

Section 13 deals with credits that are to be issued in the case of services provided in lieu where oversizing.

Section 14 deals largely with credits during transition. Charges that were previously paid for services in lieu or charges under section 50 or 52, subdivision agreement, are to receive credits. We have a subsection to provide credit for heavy load charges under section 215 of the Municipal Act. We also go on to stipulate that where there is a disagreement or a conflict between an existing subdivision agreement negotiated under the Planning Act and a development charge under this bill, the agreement shall prevail.

That is the general thrust, and you will see that sort of thrust followed through in a number of other sections. The ministry's feeling was that we do not wish in any way to tamper with existing agreements.

Section 15 of Bill 20 deals with the issue of multiple approvals. Under section 3 we had the definition of "development." There were a number of categories there under the definition. It is quite conceivable that a particular project might qualify as a development under two or three of those and we are saying under section 15 that you can only apply one charge.

Section 16 requires a municipality to establish reserve funds for the moneys it collects through its development charge bylaw.

In section 17 we are going to require municipalities to make quite detailed statements as to the treatment of those funds, how they are counted, how they are spent and so forth.

Section 18 provides for the payment of interest in situations where refunds are owed to developers, because a development charge bylaw has been amended or repealed by the Ontario Municipal Board because it was too high.

Section 19 deals with regulations. We expect to issue draft regulations very shortly. You can glance through section 19. It gives you an indication of all of the areas that we are going to be dealing with. We are going to have regulations regarding the method and manner in which development charges can be calculated. We deal more explicitly with the intensification exemption in the regulations. We deal in subsection 19(c) with what services are not eligible for development charge. We also deal with the manners of notice, how notice shall be given and to whom, in 19(e) and 19(f). We also talk about the nature of the information that is to be provided in the notice. We are going to prescribe how credits shall be calculated, the sorts of information the treasurer must supply regarding each of the reserve funds established under the act and the methods of calculating interest rates.

Mr Mackenzie: When will we see them?

Mr Cowin: As I say, they are going to be in draft form. We are hoping to circulate them just for discussion within one to two weeks tops. They are more or less in finalized form. They have to be approved by senior management and the minister.

The second part of the act deals with front-end agreements.

Section 20 empowers municipalities to enter into front-end agreements for the provision of front-ending services which are confined to sewer, water and roads.

Section 21 sets out all of the requirements that we demand be stipulated in agreement.

Section 22 merely provides that the agreement itself does not have to be subject to OMB approval.

Section 23 provides that agreements can be registered against the land and can be enforced against subsequent owners.

Section 24 stipulates that compliance is required. No development can proceed without the payment by subsequent developers of their portion of the original front-ending payments having been made.

Section 26 provides for the establishment of special accounts. We have, in essence, two types of accounts. There are the funds that are received by

the municipality from the original front-ending developer. Those are dealt with in section 26. We also have special accounts established for payments received from subsequent developers that are intended for the reimbursement of the original front-end developer. Those are dealt with in section 27.

We stipulate in those sections what the funds can be used for. The payments by the front—end developer can be used only for the installation of services specified in the agreement or for the reimbursement of the front—end developer if the moneys collected were more than what was needed to provide those services. Under section 27 the funds that are collected from subsequent developers must be used to reimburse the original front—end developer.

1050

Part IV is a general section which in many cases deals with the transition situation.

Section 42 provides for phase—in. We are providing a two—year phase—in period for municipalities that have small levies. We want the municipalities that have larger levies, which tend to be the big actors in the game, those with levies in excess of \$3,000, to proceed within the first year.

Section 43 is intended to eliminate a situation where development charges would continue under the Planning Act. We have eliminated that possibility by saying that no further development charges under the Planning Act will be permitted once this act comes into force.

Sections 44 and 45 really reinforce the point I made earlier that existing agreements will continue. What we are really saying here also is that referrals on those agreements will continue, as well as appeals on those agreements, and that there is no appeal from the OMB except on a matter of law. That is dealt with in section 46.

Section 47 simply reiterates what I have been saying about these existing agreements. They will continue to prevail in situations where there is a conflict between the agreement and the Development Charges Act, 1989.

Section 48 stipulates that the act will come into force at royal assent. There had been talk that it would come into effect retroactively at first reading. That option has been dropped.

Section 49 just gives you the short title of the legislation.

The Chairman: Following up on some of Mr Haggerty's concerns, I wonder if I could make some global comments and ask for some response.

I had the suggestion made to me that one of the things we are doing here is taking away from the municipality's negotiating powers with the developer in that we are giving them another option. It reminded me of 1969 when I was assistant city solicitor in Kitchener and we were negotiating with a company called Costain Developments for a very large development called Forest Heights. Those negotiations were such that we knew what they wanted to do, we knew they had assembled the land and we knew that we had them under our control, in essence. We were able to demand whatever we wanted. They were very one—sided negotiations. We could demand that they pay for all the streets, all the sewers, and that we could dedicate as much land as we wanted for parks, schools and churches. That was 20 years ago.

Things have changed, I gather. For one thing, I think developments tend to be not as large in many cases. Also, that sort of one-sided negotiating process perhaps is not in place as much as it used to be. Is that fair?

Mr Cowin: I am not certain that I would disagree. I think that situation prevails still today. If you listen to the developers we have spoken to, many of them complain that this is a key problem, which is precisely why they pushed for this sort of legislation, to get a clarification of the rules on what is eligible and what is not. They feel they have been at a bit of a disadvantage in those negotiating processes in that there are no rules or structure.

The Chairman: This legislation permits the municipality to go either way really, though, does it not? It can either pass the bylaw or it can negotiate—it can do both, I suppose.

<u>Mr Cowin</u>: I would say the idea is that the negotiation process will be restricted. You will not be able to negotiate in that way any more. The idea is that it is going to introduce some rules and structure and form to the process.

Mr Polsinelli: The negotiation aspect comes in terms of developing these front—end financing agreements where a developer may want to develop a piece of land—I guess "prematurely" is the wrong word—where municipal services have not yet arrived, and the cost of providing those services would benefit, say, land along the way. In that type of situation, the municipality has quite a lot of flexibility in making an arrangement or an agreement with the developer in terms of that front—end financing agreement.

The Chairman: Okay. The second concern that I think we hear a lot of and we are probably going to hear a lot of in our submissions is the question of the impact on the cost of the lot. Do you have anything you wish to say with regard to that, or is that something really that is more in the realm of Treasury?

Mr Polsinelli: Perhaps the one comment that I could make on that is that, effectively, right now what we have is a situation where there is little rhyme or reason as to why certain municipalities are charging certain development charges or lot levies. What this will do, essentially, is bring a structure to the system that will rationalize the amount of money that they are charging in terms of lot levies. That is a factor that perhaps was not present in all municipalities in the past. If we look at the various amounts that are charged by certain municipalities around the greater Toronto area, we see that there is quite a disparity in terms of the lot levies that are presently charged by them.

Effectively what this may do is require some of them to lower the lot levies that they charge and in certain others it may give them the ability to increase the lot levies that they charge. Unquestionably what it will do is provide a rationality, a structure, a reason why the lot levies are such when they are passed by municipalities under this bill.

<u>The Chairman</u>: I see Mr Haggerty's hand but before I recognize him, I wonder if either Mr Mackenzie or Mr Jackson have anything they wish to say at this stage.

 $\underline{\text{Mr Jackson}}\colon I$ am pleased that the Liberals are raising sufficient alarming questions about this bill and they are doing a great job at the moment.

Mr Haggerty: In the clarification stages here, in the first stages the municipalities may pass bylaws but this does not say they have to.

Mr Polsinelli: It is permissive.

<u>Mr Cowin</u>: And they also may not want to collect 100 per cent of the capital costs. They could collect some fraction of that; not more, but some fraction, certainly.

Mr Haggerty: In the development charges, in dealing with the first section of it for municipal tax purposes, there is nothing mentioned about commercial development. Yet in the educational section of it, it says "commercial development." Why was that deleted from the first stage? You may have an industrial park, for example, a small one in a municipality, and it requires all the services and yet under the municipal section it is not part of the criteria, I guess, if I could term it that way. You have it spelled out in the education section there.

Mr Cowin: On the municipal side there are no restrictions as to what types of land it can be applied to. You can apply a development charge to commercial—

 $\underline{\mathsf{Mr}}$ Haggerty: As I read that first section, it just says residential property.

Mr Cowin: To which first section are you referring—the definition?

Mr Haggerty: That first section.

Mr Polsinelli: What section are you talking about?

 $\underline{\text{Mr Haggerty}}\colon I$ am looking at the preamble on development charges. In that section for development charges it spells out residential; it does not say commercial or even condo.

Mr Polsinelli: Can you point specifically to the section?

Mr Haggerty: Looking at page 19, part III, it defines "commercial development," but you do not see that listed in the first section that deals with the municipal structure itself. I am talking about municipal charges.

Mr Polsinelli: Page 19?

 $\underline{\text{Mr Haggerty}}\colon \mathsf{Page}\ \mathsf{19}.$ It spells it out in the education section there.

Mr Polsinelli: I think what you have there is a situation where under part III there are limits as to where the education development charges can be levied. There are no limits in terms of the municipal lot levies.

Mr Cowin: That is correct.

 $\underline{\mathsf{Mr}}$ Haggerty: Yes, but you do not have it spelled out in the first section.

Mr Cowin: No, but under section 3 we basically say-

Mr Haggerty: You would say that they are exempt under that, but

under part III, the education development charges, you have, "'Commercial development' means an approval of a development other than a residential development." You spell it out.

1100

Mr Cowin: That is precisely what Mr Polsinelli indicates. I really do not like talking about the education side, but they have significant limitations as to what can be charged against residential versus commercial and that is why they require these different definitions.

We do not have those relationships that exist on the municipal side, so we do not require definitions to distinguish between commercial, residential, institutional or whatever. Our section 3, which empowers you to pass a bylaw, merely makes reference to land. You can levy a development charge against land. There are certain other restrictions, exemptions, as I have indicated, but we do not require that kind of specification.

Mr Jackson: Is it not fair to say that, given that the genesis of this bill was to deal specifically with residential construction and it was not until either the budget or the throne speech that the industrial, commercial and all other forms were injected into it, therefore the amount of thought and time and planning and analysis which is essential for any ministry to advise any committee of government—that there is sort of a gap there in terms of analysis? I am not saying you have not thought it through, I am simply saying that the bill for the last six and a half months did not deal with a whole series of groups of types of property and that was injected into the equation at the 11th hour.

 $\underline{\text{Mr Polsinelli}}\colon \text{Are you talking about part III of the bill or parts I, II and IV?}$

<u>Mr Jackson</u>: I do not know what part I am talking about; I am talking about the time when the government announced six and a half months ago that this bill affected residential only but now it brings in a whole other series of groups.

<u>Mr Polsinelli</u>: I think if you are talking about what the working committee was deliberating in terms of the municipal lot levies, industrial-commercial development charges have always been under consideration by the working committee for the past three years.

Mr Jackson: In terms of your review, which is half of this bill.

Mr Polsinelli: No, in terms of-

 $\underline{\text{Mr Jackson}} \colon \text{You have not been considering the educational lot levy}$ for the last three years.

<u>Mr Polsinelli</u>: In terms of the education lot levy, I think it has been our position that the committee will be briefed on that next week by the parliamentary assistant to the Minister of Education, the member for York North (Mr Beer), and perhaps we could defer that line of questioning until such time as he has made his presentation to the committee.

Mr Haggerty: Just one further clarification: Are condominiums exempt under this bill or are they included?

Mr Polsinelli: They are included.

Mr Cowin: They are quite specifically included.

Mr Haggerty: You are talking about land, residential land; that is what I take it as, an individual, not condominiums.

Mr Polsinelli: No, they are included. One has to look at a condominium development as a vertical subdivision. Rather than subdividing land in terms of a horizontal plane, you are subdividing it on a vertical plane, but it is still a subdivision and it still would be included.

Mr Haggerty: That is how it is spelled out in the subdivision?

Mr Polsinelli: No. I am saying it is still definitely included under this bill.

Mr Cowin: If you look at clause 3(1)(e), you will see that the definition of "development" includes "the approval of a description under section 50 of the Condominium Act."

 $\underline{\mathsf{Mr}\ \mathsf{Ferraro}}\colon \mathsf{I}\ \mathsf{have}\ \mathsf{a}\ \mathsf{general}\ \mathsf{question}\ \mathsf{that}\ \mathsf{I}\ \mathsf{think}\ \mathsf{I}\ \mathsf{know}\ \mathsf{the}\ \mathsf{answer}$ to but $\mathsf{I}\ \mathsf{will}\ \mathsf{ask}\ \mathsf{anyway}$. What is the reasoning for not putting the maximum amount allowable?

Mr Polsinelli: What is the reasoning for not putting a maximum amount of development charge that can be levied?

Mr Ferraro: Yes.

Mr Polsinelli: Because in terms of the negotiations, there was quite a discussion as to what would be a growth-related capital cost.

Mr Ferraro: That is why I asked the question.

Mr Polsinelli: The consensus—the broad consensus, I should say; not 100 per cent consensus—was that should cover essentially the hard services that would be required by the subdivision and by the growth. It is up to the municipality, once it has determined what those hard services are, libraries, fire halls, park amenities and the like, to determine the charge. They have the flexibility under the bill to charge up to 100 per cent of those hard services, but they can charge less if they feel that figure is high.

In terms of the negotiations, there were some of the municipal representatives who wanted to include some of the soft services in terms of what the growth-related capital costs were, and this was essentially a sawoff between what one party wanted and what the other party wanted. But it is strictly up to the municipal council as to whether or not it shall include 100 per cent of the growth-related costs.

Mr Ferraro: I guess what I was trying to get at is, hypothetically, could a municipality use this charge as a form of control over growth?

Mr Polsinelli: I think the municipality has so many other tools at its disposal to control growth that if it were using this bill for that, it would be an inappropriate mechanism. They have the planning process under their control. That gives them much more authority than the Development Charges Act does in terms of control of growth.

But in terms of controlling what the actual levy will be on a particular subdivision, that is purely within their discretion. We could have said that they charge 80 per cent or 60 per cent of the growth—related capital cost, but I think the more appropriate thing was to give the discretion totally to them.

Mr Haggerty: I notice one area here that I have some concern about. When you have subdivisions that are now being built within a municipality but outside an urban area, in particular where you start them out in a rural area, that concerns land drainage. Often, when a subdivision goes in, there is little regard to land drainage and in many cases the rural municipalities or farmers in the area are saddled later on with waterlogged farm fields because of the changes in the drainage programs in the subdivisions.

Why would drainage not be included in there, if you are talking about charges, so that we would not have problems with the rural farming communities when it alters the drainage schemes? Some of these are actual watercourses that have been changed and altered.

 $\underline{\text{Mr Cowin}}$: Are these provided by the municipality or at the farmer's expense?

Mr Haggerty: These come under of the Drainage Act.

<u>Mr Polsinelli</u>: The responsibility for developing a storm water management system is up to the municipality. In terms of the subdivision approval process, when a subdivision goes in, one of the items that the developer is going to have to satisfy the municipality with is the question of storm water management. In terms of altering or modifying the water courses, that is part of the negotiation process for having the whole subdivision approved.

Mr Haggerty: But I have been on a committee here that has dealt with private bills. I just cannot recall the two municipalities that came in with private bills so that they could go back on to that land and reopen the watercourses. They were all closed in and lots and homes were built upon them, without any regard for the existing watercourses that were required to drain farm lands.

Mr Polsinelli: I am not familiar with those private bills.

Mr Haggerty: Someone in the ministry there should check it out. I am sure I am correct on that. There were two occasions.

Mr Polsinelli: I do not doubt that you are correct on that. All I am suggesting is that the question of storm water management, which is the subject that you are talking about, is something that is considered in the subdivision approval process. When a developer goes to register a plan of subdivision, in terms of the negotiations that he has to undergo with the municipalities, along with the engineers and the surveyors and the whole works, they look at the whole question of storm water management. If the drainage patterns are being affected or changed, that is something the municipal engineers can negotiate with the developers in terms of the grading of the subdivision.

Mr Cowin: I am not familiar with the details of what you are speaking about. I would just say, in summary, if the service is a municipal service and there are capital costs associated with it, and those capitals costs are associated with growth, which they would be in the case of a

subdivision, if that is what you were speaking of, then those costs can indeed be eligible for inclusion in the development charge calculations.

Mr Haggerty: Even the cities within Metropolitan Toronto came in with a couple of private bills that would protect ravines and watercourses in this particular area so that they could stop the development in those areas.

The Chairman: Any other questions or comments? Thank you very much for your assistance. Obviously, this is just the beginning. We are going to need it for the next several weeks. We appreciate your giving us a lot of answers to a lot of questions. I think there will be more questions coming in. As you have indicated, Mr Polsinelli, we will be having representatives here from the Ministry of Education next week to deal with part III.

<u>Mr Ferraro</u>: I am just wondering if the researcher could find out from the ministry or wherever—and by the way, thank you for getting us copies of the Assessment Act and the releases from the respective ministers—about the exemptions for taxation as outlined in the Assessment Act. I would be curious to find out whether, in the top 10 or 20 municipalities, there are exemptions for developmental charges for the same group that are exempt under the Assessment Act for taxation. I do not want her to do a lot of work. If she could take 10 municipalities and just canvass them vis—à—vis whether there is an exemption based on the Assessment Act for development charges, I think I would find it interesting.

1110

The Chairman: Yes. Mr Jackson will be happy to hear me going back to this issue again. Would the committee be interested—and I do not know whether we can find this with some help perhaps from the Ministry of Treasury and Economics or from some other ministry, or perhaps we can even try to find it on our own—in some sort of economic prognosis as to what this would really do to the cost of lots? I do this from the basis of thinking that the argument that lot prices in high-growth areas are basically demand driven and that the cost of any increased lot levies may well be shown to be absorbed. Is there any interest in having some research done on that? I am sure we are going to hear from witnesses on it.

<u>Mr Mackenzie</u>: I just wonder if that information is really worth a lot or available if you do not have some idea as to what the various municipalities' plans are and what they need in the way of schools or what is planned in the way of development. I think you have to have some idea of what their planning is and what they see as their needs before you are going to be able to get a very effective handle on what the lot levies may be.

Mr Jackson: That material is available—I have seen some of it over the years when municipalities are adjusting their levels—from the Urban Development Institute. They have extensive research on a national and provincial basis on that question.

I also am interested in something Mr Haggerty was getting close to with respect to condominiums. As you know, 95 per cent of all rental housing being built in this province is built as condominium, but the tenant experience is not ownership, but rental. I would be very interested to know, given the implications of establishing base rents and ongoing rent increases, the impact that is having not on affordable home ownership, which we are getting lots of feedback on, but its impact on rental affordability.

Of course, that has some clear connection to the Social Assistance Review Committee report recommendations, where clearly you have got SARC going in one direction talking about affordability and you have got another government program or a program that is in the hands of the municipality that is going in an opposite direction, pulling against it. So where, really, are we getting the money from if the state is having to come in to compensate with even more dollars to pay for a cost which the state created? Then we have created a paper exercise.

In that area of rental, it seems to me that nowhere has that discussion emerged. We talk about affordability and the groups have lined up to talk about ownership and affordability, but no one has lined up to talk about rental affordability, and that is an extremely acute problem in the greater Toronto area. I, too, would like to request that we get some handle in terms of analysis from the Ministry of Housing with respect to Bill 51. I have some working knowledge of that legislation and its implications, but I would not want to set myself out before this committee as any form of expert on it. That would be challenged whether it were true or not.

 ${\it The\ Chairman}\colon {\it Your\ 90}$ per cent figure sounds a little high but I think your point is well taken.

 $\underline{\text{Mr Jackson}}\colon$ In the greater Toronto area, I could essentially tell you that is true.

The Chairman: In any event, that sounds as if that is a reasonable request and perhaps we can see what we can do to find out some more information on it. Any other comments or questions? Apparently during this morning's proceedings we were asked once again if we were prepared to go before the Board of Internal Economy at 3:30 on Monday, and we will.

Any other business anyone wishes to raise this morning?

<u>Mr Jackson</u>: For those of us who are settling into this committee in a more permanent fashion, could you briefly explain what you are tracking for the record? I apologize for having been late but I was caught in traffic.

The Chairman: That is understandable; it happens.

The committee has passed a budget asking for five weeks to sit over the course of a possible break that may occur in the legislative session. That will allow us to deal with this bill and also to deal with an ongoing project which we have commenced on the adjustment process. We basically intend to adjust that period according to the needs of this bill, I suppose. We have asked to have one sitting week, in any event, out of the city of Toronto but we may not need a full week.

 $\underline{\text{Mr Jackson}}$: Do you have a date for this? I have a conflict and that is why I am trying to arrange my time.

The Chairman: We said we cannot really start to sit until at least mid-August and possibly later than that because, of course, we are going to be advertising and we have not had our budget approved yet, so the advertising cannot start until at least 24 July. It was suggested that clause-by-clause discussion of this bill might not be reached until at least September. I am sorry I cannot be more definite than that.

Mr Jackson: No, that is very helpful to me. Thank you.

The committee adjourned at 1116.

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

ORGANIZATION
DEVELOPMENT CHARGES ACT, 1989

THURSDAY 20 JULY 1989



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

CHAIRMAN: Cooke, David R. (Kitchener L)
VICE—CHAIRMAN: Pelissero, Harry E. (Lincoln L)
Cleary, John C. (Cornwall L)
Ferraro, Rick E. (Guelph L)
Haggerty, Ray (Niagara South L)
Hart, Christine E. (York East L)
Kozyra, Taras B. (Port Arthur L)
Mackenzie, Bob (Hamilton East NDP)
McCague, George R. (Simcoe West PC)
Morin—Strom, Karl E. (Sault Ste. Marie NDP)
Pope, Alan W. (Cochrane South PC)

Clerk: Freedman, Lisa

Clerk pro tem: Decker, Todd

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Education:
Beer, Charles, Parliamentary Assistant to the Minister of Education (York
North I)

Trbovich, Ron, Director, School Business and Finance Branch

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 20 July 1989

The committee met at 1008 in room 151.

ORGANIZATION

The Chairman: The Speaker indicated to me that Mr Eves was unavailable and Mr Cooke, the member for Windsor-Riverside, indicated his intention not to attend. Therefore, it was deemed prudent to put the meeting off until this coming Monday. We made inquiries as to whether or not we could canvass each member of the board to check off a form that is available when the board is not meeting and apparently that cannot be done if a meeting is scheduled. The meeting has now been scheduled for this coming Monday, 24 July, and we are again the first item on the agenda.

It is unfortunate that the advertising for Bill 20 is being held up by this process. I can indicate to the committee that Mr Decker is working on some ideas with myself as to changes that should occur in the rules as pertains to the committee. Mr Decker informs me that in the federal Parliament, committees are given a global budget and there is a committee of committee chairmen who then work on these budgets themselves and divvy up the money. It would seem that might be something that should be looked into in our process because there might be more interest in what is going on in the committees amongst committee chairmen than there might be amongst another board.

I should report to the committee as well that in the last week we have had Bill 18 referred back to us to be considered together apparently with Bill 20. Is that what we are being asked to do?

The history of Bill 18 coming to this committee is that it was suggested initially by Richard Johnston in the Legislature that it be considered together with Bill 20 and the Treasurer (Mr R. F. Nixon) responded that it was a good suggestion. The bill was referred to the committee without any instructions as to how we were to proceed. On 22 June, we discussed amongst ourselves how to proceed with the bill. There did not seem to be any interest or knowledge in the committee as to why it should be dealt with with Bill 20, but a decision was made to call in Treasury officials. On 29 June, Donald McColl, the assistant deputy minister from the office of the Treasury, appeared here with a number of Treasury officials and spoke to the bill. There was an attempt to deal with the comments that occurred, but you may recall that the bill did not seem to be, in the chair's view, terribly relevant to Bill 20.

Mr Morin-Strom and Mr Sterling were present when the decision was made to put the matter off until the following week for clause-by-clause discussion, and on 30 June, or rather 6 July, clause-by-clause discussion occurred. On 30 June, the day after the 29 June when we had had the hearing with Treasury officials, we sent hand-delivered messages to both Mr Laughren and Mr Pope indicating that the matter was still on the agenda for 6 July. On 6 July, Mr Runciman indicated that the committee should go ahead with clause-by-clause, a review of Bill 18, and we did so and the bill was passed and it was reported back by myself to the Legislature on the afternoon of 6 July.

I am informed that it is the Conservative Party that wishes it to be brought back here and to deal with it together with Bill 20. Mr McCague, I do not know whether you have any comment on that. Does anyone have any comment on either what I had to say or the fact that the Legislature has sent it back to me, and if they do not, subject to what my clerk informs me, I would be prepared to entertain a motion to report it back because we have really done everything—

Interjection.

The Chairman: We have not been given directions, but the clerk's pacifying thoughts are that it is easier to deal with it with Bill 20, which would mean I guess putting the advertising with Bill 20.

Interjections.

The Chairman: I saw you, Mr Haggerty, but I did not hear what you said.

Mr Haggerty: If you want a motion, then I move that the bill be reported to the House from committee. I myself see nothing controversial about it.

The Chairman: It cannot be sent back for five days?

Mr Haggerty: I have had no complaints from municipalities nor seen any objections to it.

The Chairman: I am having it whispered in my ear that the House leaders seem to have agreed that we should be considering Bill 20. Maybe one of them will make some presentation before us as to why it is relevant.

Mr Haggerty: You are talking about Bill 18, not Bill 20.

The Chairman: Bill 18, yes. I am recognizing your motion, Mr Haggerty. It is on the floor.

Ms Hart: I certainly have not and I do not know whether the others have had a chance to talk to the House leaders, but if they have agreed to send it back and the clerk is telling that it is pretty easy to deal with two at once, why do we not just go ahead and do it?

Mr Morin-Strom: I do not think this is a very good precedent. The bill has gone through the committee. It was agreed to and has been reported to the House. I do not see why they are are reporting it back to the committee. As far as I am concerned, I consulted our critic on it. He did not see that there was any big deal about it in holding it up. I do not what the House leaders want it for, but I personally would support Mr Haggerty's motion.

Mr Ferraro: Briefly, I want to agree with Mr Morin-Strom, unless Mr MaCague can give us some new information as to why the hell we should have to deal with it again, quite frankly. I totally agree with the previous member's statements.

The Chairman: Any other discussion?

Mr McCague: I have been away and I was not brought up to date on this. It seems to me, though, that if there is a reason and the House leaders

have agreed to it, we have some obligation to honour that, at least to find out in the next hour what the situation is. I guess I only ask that we tread carefully on this and try to find out by 11:30 am what the situation is. Then maybe it will be quite in order to put the question.

The Chairman: Why do not we table Mr Haggerty's motion until the end of the session this morning? We can discuss it at that time.

All right, on Mr Haggerty's motion, rule 63 indicates "When a bill is referred to a standing committee after second reading, it shall not be considered in committee until at least five days after the referral, unless a waiver of this interval has been granted on the request of the minister or the parliamentary assistant"—I am not seeing a request in the eyes of the parliamentary assistant—"but no such waiver shall be granted if 20 members register their objection by standing in their places." That simply means that it shall not be considered in committee until at least five days have passed.

Mr Pelissero: We have already considered it.

The Chairman: That does not sound like a rule we have always followed, frankly, but there it is.

Ms Hart: I am the relevant parliamentary assistant, and I have not heard anything about this, so I do not think that is going happen.

The Chairman: All right, would it be in order to stand down this debate at least until the end of this hearing this morning so that perhaps Mr McCague could get some more information to bring to us? I did receive information this morning that it was the Conservative Party that wanted it back here.

DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

 $\underline{\text{The Chairman}}$: Mr Beer, welcome to our committee. We listened to Mr Pelissero last week, as you are aware.

Mr Pelissero: Polsinelli.

The Chairman: All those names sound similar.

Mr Pelissero: You listen to Pelissero all the time.

The Chairman: I was delighted to listen to Mr Polsinelli telling us about parts I, II and IV of Bill 20. We would appreciate your enlightening us as to the Ministry of Education's concerns and interest in part III.

Mr Beer: It is a pleasure to be here and to have the opportunity undoubtedly to listen to Mr Pelissero, if not Mr Polsinelli. Perhaps I might begin by just introducing four members of the committee, although you probably know them. On my immediate right is Mr Ron Trbovich, who is the director of the school business and finance branch, and on his right Mr Theo Grootenboer, who is the chief capital grants officer in the school capital program section. They are here to assist in the briefing and with any other questions that you may have.

I believe that the clerk has distributed to all members of the committee a background document which goes through the different sections of part III. If I might, I will make a few preliminary remarks and then, according to the will of the committee, we can go through it on a clause—by—clause basis or however you wish to proceed.

1020

As everyone in the Legislature is aware, since the Peterson government took over in 1985, I think that we have been aware that one of the major problems in the education area has been around the provision of educational capital. I think it is important to underline the commitment that this government has made since that time in terms of capital funding that has been allocated.

This year, for example, some \$300 million has been allocated. We have made that commitment over a four-year period, so some \$1.2 billion will be coming from the province for school capital, and this in an area which historically and traditionally is one that really has been the responsibility of the local school board. There are very few instances in our history where the province, in effect—and I can think only of one other—has had to move in in a substantial way because of the rapid growth. This is certainly something that I think this government has been doing increasingly; each year we have doubled and tripled the amounts that we are providing. As I say, the commitment right now is for some \$1.2 billion over four years.

We have recognized that even with that commitment on the part of the province and the amount of money that generates from the local level, when we look at the total request list that comes in from school boards in terms of funding that the boards are requesting, we are still facing a very large problem. So this has led through many discussions on the proposal, that you find in part III of Bill 20, that relates to the educational development charges. That is really why we are here today. As you know, this idea was set out in the green paper, which undoubtedly you heard of last week and that the Treasurer (Mr R. F. Nixon) put forward before Christmas.

Afterwards, there was an interministerial committee. A great number of submissions and discussions went on between the ministry and the government with school board trustees and officials, developers and so on. The result of all of that is the bill that has come forward.

Part III, which deals of course with the imposition of the education development charges, is on residential, or residential and commercial, assessment. What is set out is that the charge may be imposed by a school board within its area of jurisdiction, to finance up to 100 per cent of its local share of the approved cost of growth-related school construction. By approved costs—and we will get into this in the clause by clause—we mean the costs approved by the Ministry of Education working through the capital expenditure forecasts and multi-year plans that school boards present to the ministry. In our view, this new source of revenue is going to assist school boards in developing new people places and constructing new schools, particularly in what I referred to as fast-growth areas of the province.

There are seven key points I would like to make about part III in terms of what it is trying to do, I think. If I can just outline those, then we can open it up to questions. So the purpose of this part of the bill then, first of all, is to establish the authority by which a school board may impose an education development charge, in all or parts of its area of jurisdiction,

through the passing of an education development charge bylaw.

- 2. Part III establishes the terms and conditions under which the school boards may impose the education development charge.
- 3. It provides for the giving of public notice by a school board which intends to pass an education development charges bylaw.
- 4. It provides interested parties with the right to appeal an education development charge to the Ontario Municipal Board and establishes the powers of the board to amend, repeal or uphold the bylaw.
- 5. It establishes the procedures for the collection of the development charge by the municipality where it is to be imposed.
- 6. It establishes regulatory powers through which the Minister of Education may oversee the imposition of the education development charge and the use of the revenues raised.
- 7. The boards will also be permitted to negotiate payments in kind and other innovative financing arrangements with developers who wish to work with the boards in this connection.

I think our feeling in putting this forward and having it in the bill is that it will provide an extremely useful tool to those school boards which wish to make use of it in terms of another source of funds to put forward for new school construction. It is intended for that purpose. I think in the bill, and in our discussion of it, we set out clearly that those funds can only be used for new school construction. We feel that this is an innovative addition, if you like, to the powers that school boards then could avail themselves of in order to meet the needs they face in terms of rapid growth.

With those opening remarks, I will stop there and we will be prepared to proceed however the committee may wish.

The Chairman: You would like, then, to entertain questions now and then perhaps take us through clause-by-clause?

Mr Beer: Either. We can begin to go through clause—by—clause, if that is the wish of the committee, or if there are some other comments—

The Chairman: I see one question. Perhaps we could have some questions first.

Mr Pelissero: It might be answered by clause—by—clause in terms of the process by which school boards would be able to implement the levy. Is it going to be going through the same route a municipal bylaw follows? Would the school board approach the municipal council? Would the municipal council have any right of veto over what the school board would propose?

If that is going to be answered in clause-by-clause, I will stand down.

Mr Beer: It is dealt with in clause-by-clause, and it might perhaps be better to deal with that in that context.

The Chairman: Then perhaps we can proceed to clause—by-clause. We are looking at part III.

Mr Morin-Strom: Could we just have a clarification? When you say proceed to clause-by-clause, does it mean formal clause-by-clause review of the bill?

The Chairman: No, this is not formal.

Mr Morin-Strom: This is a preliminary information session highlighting what the significance of various clauses is?

The Chairman: Yes.

Mr McCaque: Can the Ministry of Education or the school boards impose, through a bylaw, a lot levy independent of the municipality?

Mr Beer: Yes. Under this, the school board can set the lot levy. In fact, where there is no municipal organization, they would also be empowered to collect it. But in the normal course, they would set the levy and the municipality would collect it.

Mr McCaque: I understand what you are saying. I guess the traffic will only bear so much. Is there any dispute—settling mechanism in here where the wishes of the municipality and the wishes of the school boards can be negotiated or harmonized? What can be done to say that you are not going to increase the price of a house in municipality X by, say, \$20,000, which would be a great detriment to those who might wish to live in that municipality; that kind of thing?

1030

Mr Beer: There is not a dispute-settling mechanism per se, but what will undoubtedly be the key factor here is that there will be a great deal of exchange of information about what everyone is doing; clearly, the boards and municipalities, as elected representatives, are going to be aware of both what the needs of the community are and how much, as you say, the traffic can bear.

Clearly, we are talking about levies that are applied to lots, and there would be, in any given community, an amount above which I think those elected officials are going to say, "We cannot go." But the belief is that they will work together, and what the bill is trying to do is to provide more of an organized approach to that than has perhaps existed in the past.

Mr McCague: So you may have situations where the school board wishes to pass a bylaw, yet the elected people in the municipality are going to be one of the main objectors to that bylaw?

Mr Beer: That is conceivable. There is a mechanism in that sense for resolving the dispute, through the OMB. There is not one just between the municipality and the board, but ultimately the OMB would be the one which would determine what ought to happen as a result of any dispute that arose between the municipality and the board.

Mr McCague: So the board in, for instance, Simcoe county will have to deal individually with each municipality?

 $\underline{\text{Mr Beer}}\colon \mathsf{Yes}$. It would be done by municipality, in that case within the county.

Mr McCague: What about the difficulties with, for instance, the

example I know best, Alliston? That secondary school serves probably 10 municipalities. If Alliston as the host municipality is petitioned to have a lot levy of X number of dollars for school purposes, presumably all the other nine will have to do the same thing.

Mr Beer: I am sure that would be the way it would be done.

Mr McCague: How do you envisage the rationalization between
Alliston, a strictly urban municipality, and another township that is strictly
a rural municipality?

<u>Mr Beer</u>: At that point, when the school board through its elected representatives is determining what the lot levy would be, that would be the place where those determinations would be made. That would be up to them to decide how that would be applied. It would presumably also relate to where the development was going to go and the nature of it. The school board would have some flexibility in how it approaches that, but that would really be a decision of the members of the board.

Mr McCague: A difficult one, though.

Mr Beer: Yes:

Mr McCague: Because if you are going to apply it fairly, you are going to be into a severance type of levy. If, for instance, the levy for school purposes is \$2,000 in Alliston, you can hardly exclude a levy on the lot out in the township.

Mr Beer: In clause 29(3)(c) of the bill, on page 21, you will note that one of the things mentioned about the bylaws is:

- "(3) A bylaw passed under subsection (1) shall....
- "(c) designate the areas in which an education development charge shall be imposed." $% \begin{center} \end{center} \begin{center} \begin{ce$

The board would be able to look at where the development was, where the school was going to go and determine, in that sense, where it wished to apply the lot levy. The board would not have to apply the lot levy over the entire county; nor would it, I would think, depending on the nature of the school.

Mr McCague: I am just trying to raise some of the great difficulties.

Mr Beer: I appreciate that.

<u>Mr McCague</u>: This is going to be a real burden for school boards. It is not so bad in the elementary section, because the elementary section usually serves a much smaller area which is easily defined, but when you get into the one I mentioned to you, the area secondary school, you really are dealing with about 10 municipalities. If you are going to expand that school, for instance, you have a real problem between the rationalization of rural and urban charges.

Mr Beer: I can recognize that in my own area in terms of some of the secondary schools. I think the boards, though, in what they have said to us, believe they can find a way of dealing with that. It may be that in the first go-round as they develop the bylaw there is going to have to be particularly close consultation and discussion, but it is the need they have for that

school that I think will bring them together in terms of how they set that out

Mr McCague: If you are philosophizing about that, I could philosophize about the fact that they may have seen the opportunity to get some bucks and not have thought too carefully about how they are going to apply the policy.

Mr Beer: They are different philosophies.

<u>Mr McCague</u>: Said kindly, you are inclined to minimize the difficulties and I am inclined to maximize them. That is the difference between government and opposition, I guess.

Mr Beer: To a certain extent, in discussions I have had, particularly with those boards that see this as being something that is going to help them, clearly their thrust and direction is: "Okay, let's get over whatever the problems are. Let's find a way around it."

I think that will be done. I think you are quite right that one has to recognize that that is going to be an issue that will have to be dealt with, but I think that is best left to the board to do, because it has the locally elected representatives and that particular school is going to be serving their needs. That is probably the best way to try to find agreement, as opposed to us coming in and imposing it.

Mr McCaque: We could discuss that for a long time. There is a good chance we are both right.

The Chairman: Thank you. Everyone has Bill 20 in front of him. We are looking at part III, starting on page 18, section 28. Mr Beer, perhaps you would just like to meander through it. As I indicated to Mr Morin-Strom, this is not a formal clause-by-clause dealing with it, of course.

Mr Beer: As we move through, perhaps following from the document the members have, I think section 28 is fairly straightforward. It sets out the definitions of the terminology used in the bill.

Section 29, as has been noted, establishes the conditions under which the board may impose the education development charge and also sets out the manner in which the charge is to be imposed.

In terms of each of the clauses of that section, we note the purpose with respect to subsection 29(1). It is providing the authority to pass the bylaw, and with respect to subsection 29(2) sets out the rules governing exemptions for that.

I do not know if people want to stop $\ensuremath{\mathsf{me}}$ as we go along if there are any questions.

1040

Mr Haggerty: Could I have some clarification on that section 28?
Section 28 says:

- "(a) a board established under section 70 of the Education Act,
- "(b) a board of education for an area municipality in the municipality of Metropolitan Toronto,

- "(c) the Metropolitan Toronto French-Language School Council, and
- "(d) the Ottawa-Carleton French-Language School Board,

"but includes the public sector and the Roman Catholic sector of the Ottawa-Carleton French-Language School Board and the Metropolitan Toronto School Board."

I have some difficulties in the interpretation. I understand that when this bill is passed it just applies to these three municipalities: Metropolitan Toronto, Ottawa—

Mr Beer: No, it applies to the province.

Mr Haggerty: It does? Why would you have these spelled out as different? It does not say the province in general.

Mr Beer: It says, "In this part, 'board' means a board in paragraph 3 of subsection 1(1) of the Education Act, other than," so that in fact would cover everyone else and they are stipulating the others.

Mr Trbovich: The bottom line is that in the case of clause (a), that is what we call an isolate board in Ontario; and it is largely funded, almost 100 per cent, by the province.

The second item is that the way we finance education and the way the boards finance it, in the case of Metropolitan Toronto it is the Metropolitan Toronto School Board; in each of the area boards within that federation of boards, the funding is through the Metro board, so you have to define in the act that it is strictly at the Metro level. Similarly, in the case of Ottawa-Carleton there is an English-language section and a French-language section. It is just a technical thing that ensures we cover all boards in Ontario.

Mr Beer: But the first part is the general one, where it says, "'board' means board in paragraph 3 of subsection 1(1)," and then you are just adding these others to clarify.

Mr Haggerty: Looking at "education development charge," it is the developer who will be paying the shot, will it not? I mean for the charges. He will be picking up the tab and then it is put on—

Mr Beer: Yes.

Mr Haggerty: How is this divided to these other school boards, then? How is revenue going to go to the school board if it is the developer who does it? I am looking at the assessment part where it says that you are either a separate school supporter or a public school supporter.

Mr Beer: Remember, though, that the charge—and I will ask Mr Trbovich to correct me if I further confuse this—relates to the development, to the lot, so the charge in and of itself is not on one as a separate or a public supporter. It is on the fact that there is a development, there are so many lots and here is the charge on that lot.

Those moneys, when paid by the developer, then go into a separate bank account which is set aside for that purpose. It may be a joint bank account where you have coterminous boards, but those funds have come there as a result

of the development, as a result of the lot levy, not as a result of knowing specifically that this is a separate supporter lot or a public supporter lot.

Mr Haggerty: Are there not going to be some difficulties in this area? If I were to go out and buy the development from the developer—If it goes into a special fund, does the person who buys that home have the right to say: "I am a public school supporter. That development fund shall go to the public system," or, "I am a separate school supporter. That development fund shall go to the Roman Catholic—

<u>Mr Beer</u>: No, in this sense. What happens is that when those funds are collected, irrespective of confessionality, they go into the common fund. Remember that those funds can only be expended according to the capital expenditure forecast, the capital plan which boards have prepared and presented for approval to the ministry.

The ministry then, as you know, approves four or five schools, let's say, in this particular area. Those approvals, though, are based on each board saying, "We believe we are going to need a school in this particular area." The way in which they come to that determination is one that I think is pretty accurate historically.

Some areas of a region or municipality may tend to be more weighted in terms of the separate school population or the public school population, but the moneys would only be expended where there was need. In order for those moneys to flow, there has to be the agreement of the ministry and the two boards through the treasurers of the account.

So the process is a pretty rigorous one. The expectation is that over a period of time you will find you are building the schools where there is the need, in terms of the families that have moved in and the homes that have been built, but you have to keep remembering that the funds come from the lot levy, not initially from the confessional identification of the individuals.

But clearly, if in a particular area 60 or 70 per cent are public school supporters, then the local public board will undoubtedly have identified that that is an area where it is going to need a public school, or the reverse. I do not know if there is anything you want to add to that, Ron.

Mr Trbovich: Essentially the levy is driven strictly by new pupil place need. So the levy is collected for that purpose: to create a new pupil place. At this juncture, whether it is public or separate, elementary or secondary, is irrelevant. It is just the levy to the developer—builder to get his building permit to go ahead and build the house. The person is not even in the house at this juncture. There is not an owner of the property at this point.

So the levy is collected at the point of the development being under way: the beginning of the development. As these levies are collected and put into a separate account and the approval for the projects, for the schools, is given and there is a provincial grant in place, we allow the local share or the board's contribution for each of these projects, which are fundamentally new schools for that new development, to be drawn down from this account.

That is how it comes together. It is not a question of public or separate. It is just a question of there being a need for a new pupil place, and therefore a need for a lot levy.

Mr Haggerty: I have one fear here, though, by taking that approach.

If I look at some of the fact sheets you have given to the committee members this morning, say the Urban Development Institute Canada, where you have in the growth areas—I am just going through it quickly—I would say the average lot levy now in local municipalities—that would be in Mississauga, Brampton, etc—at a rough guess would be about \$6,000 or \$7,000. That is for the municipal part.

If you are going to be applying a lot levy for education, I imagine they would probably take the same approach to it, so you are actually looking at another \$7,000 there. I can see here, though, under this, if you get a developer, a corporation, that is building these homes out there under the Assessment Act—and I could be wrong, Mr Chairman, on this part here—what if he happens to be a supporter of Roman Catholic schools? He could say "It is all going to be designated to the Roman Catholic schools."

Mr Beer: No.

Mr Haggerty: Are you sure now?

Mr Beer: Yes, I am absolutely sure. As Mr Trbovich has said, at the time that the developer proceeds with the development, those funds are paid into a central account and they have no designation, separate or public, nor can he make such a designation. Those funds are there for new pupil places and the determination of where those funds will go is by a process that, in effect, exists right now through the capital plans that boards submit and work with the ministry on, and which the ministry then approves.

So it seems to us that we are making use of existing procedures and those are pretty tight and there are a number of checks and balances along the way to ensure that those dollars go where there is a need, and that need is set out through the capital expenditure forecast.

1050

Mr Haggerty: But you could have a difference in either the public school board or the separate school board saying: "I bought a piece of property in this development here. I am a public school supporter. My share of those development charges may go to a separate school." You may run into difficulties in this area. You are not giving that person the right to make that choice at the beginning when he purchases.

<u>Mr Beer</u>: Remember, though, that when the development charge is applied, there is nobody in that house. It is a development that is going to be built, which as yet has no purchaser, so that in effect one does not know what kinds of schools are going to be needed, if any, in that particular development. I think we have to understand clearly where it is applied.

Later, when people have moved into the community, the homes are built. The boards, in ways that they have done in the past, determine where they need to place their schools. The funds are coming in from the development charge. In an area that is developing quickly, those funds would be coming in probably on a reasonably constant level, so the two boards would then determine, "All right, this is the number of schools that we are going to need." The ministry goes over that with them, agrees and then from that central fund, which has come from either one development or perhaps from a number in that community, permission is given to draw down on those dollars.

But they are going to have to do that in a co-operative way, and it is

set out in the legislation how that is done. The flow of money and when that comes together is really well in advance of where one knows the confessionality, if you like, of the home buyer.

Mr Haggerty: I am not going to prolong it any more, but I have some concerns in this area because I think it could be challenged under the Assessment Act.

 $\underline{\text{Mr Beer}}\colon I$ think we are satisfied that it will not be, but I appreciate the comment.

The Chairman: You have spearheaded a number of other questions; Mr Haggerty. Mr Mackenzie, Mr Ferraro and Mr Kozyra.

Mr Mackenzie: I guess this is just a much more general question, but to some extent it ties in with the discussion you have just had.

When this legislation was drafted, was there any evaluation of the areas or regions in the province where we knew what kinds of needs there were likely to be, where we could tell how many new schools they were going to need and what effect that might then have on the size of the lot levies that might be discussed? Did we do any kind of analysis of where there was going to be a need for these charges or where there was an assumed need for these charges, so we could fairly clearly tell what the plans were?

Mr Beer: Let me make a few comments and then if my colleagues want to add something, I will ask them to jump in as well.

I think it was clear in the discussion around the green paper that certainly in the areas that we have come to refer to as the fast-growth areas—Peel, York, Durham, Halton and Carleton, as well areas around Waterloo, London and so on, where there has been heavy growth—we have a good sense of this through their projections because we have a five-year projection from those boards. For example, in York region, each of the two boards is looking at, in their terms, a secondary school and half a dozen elementary schools over the next decade, almost on an annual basis.

I think we know that this levy is clearly going to be of particular and immediate use in those areas. None the less, within that area, say within York region, there will be certain areas of that region where there may be greater development on the part of the separate school board and in others in terms of the public. It is also reflected in the fact that those boards have been those most in favour and urging us most strongly to proceed with this permissive legislation so that they could make use of it.

<u>Mr Mackenzie</u>: There could be a negative reaction too from areas that know that they are likely to see—I am talking not necessarily the education consumer but taxpayers generally.

<u>Mr Beer</u>: I suppose here is where we come at times to looking at some of the principles behind not only this part of the bill but the bill itself in terms of the role of lot levies in funding a number of local costs.

It was our feeling, with the needs that were present, that this was going to be of real help. It means that more money is going to be generated and the ministry will be able to approve more school construction. This will relate to new construction. In terms of renovations and so on, we will be proceeding as we have in the past. There is no change to that, so this really just speaks to where there is new school construction.

Mr Mackenzie: It should have been pretty easy then to get an idea of where this is likely to have the most impact, whether somebody is for it or against it.

Mr Beer: A fair number of school boards wrote in during the consultation process. As I say, a great deal of the support came from those areas that were experiencing the greatest demand for new pupil places.

Mr Mackenzie: What about the rest of the province other than some of the high-growth area immediately around Toronto? Do you have that broken down at all?

Mr Beer: What was interesting was to see a number of areas as you moved further away that none the less are also beginning to experience growth, for example, the Northumberland area, Cobourg, Port Hope, other areas like that. Perhaps we have tended to think of them as small communities, but even they are getting growth.

In our discussions with boards, we were saying: "Look at what appears to be happening in those areas in terms of your new school needs and see how this will be of assistance to you. If you are not having any pressures, then perhaps your main needs are in terms of renovation." Then the ministry's support would be as on the old basis, and because of the lot levy, we will be able to get more going. We will be able, in effect, to approve more renovations, just as we will be able to approve more new school construction.

 $\frac{\text{Mr Ferraro}}{\text{back}}$: A quick question of clarification, and I apologize for going back.

When it indicates the money could be used for capital costs, one section says "to construct, expand, alter or improve school facilities." My question to you is, what is defined as a school facility? Perhaps put another way, is there anything for which school boards in Ontario are presently using tax dollars for capital costs that would be excluded? In other words, can an administrative building or a warehouse for maintenance be included?

<u>Mr Beer</u>: No. I think maybe the best way to put it, and again I defer to my colleagues, is new pupil places. It cannot be used for an administration building or whatever else one might like to have. It is specifically to create new pupil places. For the most part, we are talking about a new building.

Mr Ferraro: That is very clear, but I am just wondering, is there confusion or am I reading confusion into it? In section 28 on page 19, it says "(b) to construct, expand, alter or improve school facilities." Is there a grey area?

Mr Trbovich: No. School facilities include things like gymnasiums and other features of a school. When we describe the term "school facility," it encompasses what we know to mean the site and the improvements to the site to construct that new school and the physical construction of the school. The bottom line is that it has to be in respect of a need for new pupil places. Anything in that school that might serve an existing need must be costed out or netted out of the exercise and not reflected in the lot levy.

Second, we might even consider an addition to an existing school facility in a growing subdivision. Where there is a need, you can put on an addition or indeed a new school. So that is exactly what it relates to. It does not relate to administration, warehousing, garages or whatever.

1100

Mr Kozyra: I will preface my remarks by putting this in the context of my 11 years as a municipal politician. I always felt that the school board was one step removed from direct accountability to the public as opposed, say, to councillors or aldermen, because the taxes were rolled into the one and the aldermen would get the blame for whatever increase, more so than the school board officials.

In that context, then, I know that the supercharged economies of down south here, in the fast-growth areas, will absorb these kind of costs no matter what because development must take place, and so on. But I am more concerned about what I call the delicate—growth and delicate—balance areas of the north and the very attractive, new powerful tool that has been given to the school boards here for development and capital muscle.

What countermeasures, say, do the municipal council and the ministry have in terms of this? You mention the Ontario Municipal Board, but in my experience the OMB has been a very cumbersome process. The councils could get involved in a very time-consuming process.

In terms of building new schools, what in some ways may spur development, in other areas where the balance is very delicate, such as in the north, may work in exactly the opposite way and discourage development. That is much more a priority it seems. We are always looking for some form of expanded development. If this works the other way, then it is counterproductive.

Mr Beer: Let's go back to first principles again and just remember that what we are talking about here is a new tool, if you like, that boards may use.

Mr Kozyra: It is a very attractive tool.

Mr Beer: But a number of boards, though, may determine that in terms of their new school construction needs, that need is such that they would prefer to do it through the system of a certain portion that comes from the province, and they will pay for it the way they have done in the past, in terms of the property tax, as opposed to levying a lot levy.

In the context you raise, I think the board is going to have to see if it is really worth its while to impose a lot levy. Will that bring them the kind of benefit that clearly the boards in the fast-growth area feel will they need?

Mr Kozyra: But in the process of determining whether it is worth their while, is there a mechanism that says they must consult with the municipal councils, or do they just do that if they desire? Who triggers what here?

Mr Beer: Certainly the ministry and the boards are in constant consultation over this. As this develops, I think we will increasingly see the boards, the Ministry of Education, the municipalities and probably the Ministry of Municipal Affairs keeping a very close eye on how this all proceeds, especially in the beginning period because they are all going to be involved and there will be impacts and effects both ways.

Initially, it will be the board making a determination and discussing

that with the Ministry of Education. Let's say that even if the board did not want to talk to the municipality—which I would find strange, but let's say they did not want to—clearly at some point it would have to because it would have to go to the municipality to have the levy collected. The municipality does have the means to raise issues and questions.

I think this will be of real and immediate benefit that certain boards will recognize right away and others may want to look at, to review the kinds of impacts that you are raising. Remember again that with some of the other changes in funding, our \$300,000,000 going out this year is going to be able to kickstart about half a billion dollars of construction and renovation, as opposed to \$400,000,000.

Clearly, there are some tradeoffs you get into as you move forward with this program, but I think what we see as the net benefit is that there is much greater approval for construction and renovation which is now going to go ahead in the province, and these other issues, which are real, can be worked out locally.

Mr Kozyra: The second question-

The Chairman: Is it a new question? I have a supplementary.

Mr Kozyra: It leads off from the last comment of Mr Beer.

The Chairman: All right.

Mr Kozyra: It concerns the fact that this is all designed for new school development. The ministry's thinking towards the existing, say, inner-city type of development is that because of this new method that releases or produces great amounts of capital for construction, a large portion of this \$300 million can go to the inner-city regeneration and so on? To me, in most cities, even though there is this tremendous new growth happening, one of the big problems is right there in the inner city where the degeneration is taking place.

Mr Beer: There is no question that over the last couple of years one of the real concerns the ministry has had is being overwhelmed by the demand for new pupil places and at the same time seeing the need for a whole variety of renovation projects increasing. Of course, the more time that passes while you cannot get to some of that, the more difficult it is going to be when you do.

I think it would be our view that this is going to bring into play some new money, if you like, which will be going specifically to new pupil places, and that will permit the ministry to deal more with what I will call renovation projects, be they in inner-city or rural board areas where perhaps there is not much population growth but where the school facilities are 25 or 30 years old and they need new roofs and various other things.

The Chairman: With regard to your answer to Mr Kozyra's first question, you indicated that when the board passes a bylaw the council can then—I think you said something like have a say. I am looking at subsection 36(4), which seems to say that when the bylaw is passed, the treasurer "shall collect" and "shall deposit."

 $\underline{\text{Mr Beer}}$: There is a public meeting which must be called under subsection 30(1):

"Before passing an education development charge bylaw, except a bylaw passed pursuant to to an order of the municipal board...the board,

"(a) shall hold at least one public meeting"

and so on. It sets out the rules, the procedure, and this is spelled out in the informational material we have handed out.

 $\underline{\text{The Chairman}}$: They would give notice to the municipality and the municipality could then make a presentation.

Mr Beer: Yes, and the municipality would be able to express its views in that forum. One of the hopes is that as this proceeds the relationship between the municipality and the board would be such that any problems the municipalities saw they would perhaps be expressing early in the game, to try to ensure that it did not come to that point. But the municipality would have, as would a developer or an ordinary citizen, every right to go to that meeting and express the objection. That, presumably, should there be some sort of appeal later on, would then form part of that.

Mr Pelissero: On the process, then, it is the school board—in conjunction, I am sure, with the municipality—that will set what that development levy will be. From what you said, it is the school board that holds a public meeting?

Mr Beer: Yes.

Mr Pelissero: After the school has held a public meeting, what happens next?

Mr Beer: If there is to be an objection, if you look on page 4 of the notes, you will see under section 30 the process by which an appeal can be made to the Ontario Municipal Board and what the powers of the municipal board are in dealing with that appeal. It is within 20 days of being notified of the passing of the bylaw that an appeal may be made to the Ontario Municipal Board.

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Mr Pelissero: Let's assume the school board holds a meeting and. there are no objections. Then the next step is for the municipal council to enact a bylaw. In that process, is there another public hearing for the bylaw?

Mr Trbovich: If I may comment, the statute provides that the board must have a public meeting. The purpose of the public meeting is to present the documentation and information that supports the need for a lot levy. Subsequent to that meeting, the school board enacts a bylaw, setting out a number of pieces of information and indeed the schedule of the various lot levies.

Mr Pelissero: Just on that point, when you say "the board enacts a bylaw," are we breaking new ground in that aspect, in terms of the school board versus a municipal council enacting bylaws?

Mr Trbovich: Yes.

Mr Pelissero: I am just asking the question. The question has been asked of me: Does a school board, under this legislation, have the ability to enact a bylaw with respect to development charges for either new growth or existing facilities as outlined—

Mr Trbovich: Or new.

Mr Pelissero: So the short answer is yes.

Mr Trbovich: Yes. Just to conclude on the question, once they have passed the bylaw—And they can also pass a bylaw to debenture funds; in that sense, it is not totally new. But once they have passed that bylaw, which lists the schedule of charges and so on, they communicate with each individual municipality. The official in the municipality, at the time of issuing the building permit, must collect those charges. It does not go to council. It goes directly to the official. At the time an application for a building permit is made, one of the conditions is that the levies be paid, for municipal, regional and school purposes.

Mr Pelissero: Just so I am clear, this is separate from whatever the municipality may deem to collect in proportion to educational costs.

Mr Trbovich: That is absolutely right.

Mr Pelissero: When I am looking at my property tax bill, there is a breakout of how much goes to regional government, how much to police protection, school, education, etc. This is totally separate from that.

Mr Beer: That is right. It is totally separate. Indeed, that is one of the reasons why there is a separate account where these funds go.

Mr Pelissero: Thank you.

Mr Beer: I do believe a number of these questions relate to some of the specific clauses, and I am just concerned about—

The Chairman: Yes, we interrupted you. I think you were on section 29. I saw Mr Morin-Strom's hand. Unless that has to do with section 29, do you want to wait until he finishes? He was going to explain each clause as he went along. Did I see your hand?

Mr Morin-Strom: Yes. I wondered if I could talk to my colleague's earlier question about areas this bill might affect in the province.

The Chairman: Why do we not let Mr Beer finish taking us through section 29?

Mr Morin-Strom: This is on section 29, really.

The Chairman: All right.

Mr Morin-Strom: Under subsection 29(1), there is a quite specific condition. "If there is residential development in the area of jurisdiction of the board that would increase educational capital costs..." Obviously, every community has new houses or new apartments being constructed, but every community does not have the numbers that actually result in an expansion of sizes of schools or the need for new schools.

Mr Beer: That is right.

Mr Morin-Strom: It may be school projects in terms of capital to renovate or fix up or add services that were not provided in that community previously that might be mandated by the government. But this says quite

specifically that it can only happen if there is residential development that would increase educational capital costs. I ask specifically about northern Ontario, as a supplement to my colleague's question. To me, this means that no northern community is likely to be able to exercise its right here; in fact, this bill is potentially not relevant to northern Ontario.

 $\underline{\text{Mr Beer}}$: Not necessarily. Without being an expert on development, say, in Sudbury, Thunder Bay, North Bay or the Sault, I think those are areas that could have development which would bring about the need for increases in education capital costs.

Remember again that for many of the kinds of costs you were mentioning, those would continue to be funded according to the present system. It is not that there are costs for renovations and other sorts of projects that are not going to be dealt with; it is just that what this speaks to is where the development is leading in effect to the creation of new pupil places. In that instance, the board may set up a lot levy. That may not apply to all boards, but not necessarily in terms of the north or the south.

Mr Trbovich: If I may make just a comment, there is relevance. Where there is development—and there is development in the north—this becomes interesting. In the Hemlo development, the Marathon and Manitouwadge group, a lot of subdivisions grew and the need for elementary and secondary facilities arose out of that growth need. Had the lot levy been in place, it would have been appropriate. As you know, the cost and the funding for the local share of the board had to be raised from the mill rate, but here, in that sense, a lot levy is relevant where there is development.

Mr Morin-Strom: In those specific areas, presumably there is enough of a development that it actually results in the need for a new school in an area of town, a new subdivision or whatever, but in many communities in the north, and probably other communities in the south as well, most of the development occurs on an intermittent basis in various areas of the community, not focused enough in one subdivision or area that there is actually the need for a new school or even an expansion of the school. It is adding a few students here and there in various areas around the community, and maybe in many cases just replacing older housing stock in those areas of the community.

Because of this condition in this part of the bill, does this imply that those school boards cannot apply a lot levy in those areas of those communities unless they can show that that development is resulting in the need for new capital spending?

Mr Beer: That is correct, and the way they indicate the need is through the capital expenditure forecast which the boards develop and provide to the ministry, because that is the way the approval is given by the ministry.

The only point I would like to underline is that whatever the needs those boards have in terms of capital, whether it is renovation or whatever, the province is still continuing to put in, at this point, the \$300 million a year. The local board would still be putting in its share, whatever that would be, of the capital need. This program is, if you like, supplemental. It is another tool a board may have, but this is not going to answer, nor is it intended to answer, all of the school construction needs we have in the province.

The Chairman: I have Mr Cleary and then Mr McCague, also on section 29.

1120

Mr Cleary: I had better pass.

<u>Mr McCaque</u>: Have there been cases, like Hemlo in the north and like a very large development in the south, where the ministry or, more importantly, the school board has accepted a donation of some kind from the developer in order that a school be constructed? I am talking about in the past.

 $\underline{\text{Mr Trbovich}}\colon A$ gift to the school board from a developer? I have not heard of any.

Mr McCague: To put it in another context, I am sure there are developers out there who would say, "Let me go ahead with my development, and I will build the school," especially in the Hemlo kind of case. Has that ever happened?

Mr Beer: I cannot speak to that; I do not know.

Mr Trbovich: As a result of the green paper in which the Treasurer was requesting ideas and other options on how to meet the needs for new pupil places, the development industry was invited, for example, to come up with some ideas. I know there are discussions between developers and boards. There is the idea of financing and actually constructing the school. Those discussions are going on now and we certainly encourage them.

<u>Mr Beer</u>: Under this legislation, that would be possible to do where a school board and a developer came to some understanding with respect to the construction of a new school, for example.

Mr McCague: To turn it another way, suppose—I do not think this is that farfetched—that somebody wants to build 1,500 houses in Mississauga. Those 1,500 houses would probably create the need for a separate and a public elementary school, at least. Can the municipality, the school board, enter into an agreement with that developer to provide those two schools without imposing that lot levy on him necessarily? Can that be done?

<u>Mr Beer</u>: Yes. The board can sit down and try to work out an arrangement like that. I think you will find that subsection 34(4) sets out some of those provisions. Again, in any such agreement, ultimately the ministry has to approve that that school may be built, so there are a number of protections that are built in.

But as Ron was saying, one of the things that came out of the consultation period was that the Treasurer specifically asked: Are there other innovative approaches to this?" There were a number of people who came forward with ideas: "What about this? What about that?" Some school boards and some developers have been discussing various arrangements they might do in lieu of a lot levy.

Mr McCague: I have one more question. It seems to me that there is room for argument between the ministry and the municipalities. You are going from 75 per cent down to 60 per cent of capital costs—

Mr Beer: On new-

Mr McCague: Yes, on new. Is there any mechanism to solve the

argument that says the school in a municipality must be replaced, therefore it is a new school? Is there anything there to help that municipality get 75 per cent rather than 60, which would be your norm? Do you see the point I am raising?

Mr Beer: Yes, the renovations and replacement schools are at 75 per cent. In that particular case, that would be worked out on the basis of 75 per cent.

Could I just make one point? The other thing, as I mentioned before but I think is important to underline, is that the 60 per cent has meant that the ministry can approve more projects than we would have been able to in the past. When we talk about the \$300 million, in the past it would have levered \$400 million; now that is levering about \$500 million, and that does have a real impact, then, on what is being constructed.

Mr McCague: Providing you do not lower your dollar support

Mr Beer: This government has been increasing that support.

Mr McCague: Providing the Treasurer does not do that to you.

Mr Beer: The Treasurer is a fine, fine fellow.

Mr McCaque: He is, but he is not going to be there for you. You may be there longer than he is going to be there.

The Chairman: Clause 30, Mr Beer?

 $\frac{\text{Mr Ferrano}}{29}: \ I \ \text{apologize for dropping anchor on you again, Mr Beer,} \\ \text{but subsection } 29(5) \ \text{deals with exemptions.} \ I \ \text{asked the question of Mr} \\ \text{Polsinelli last week, and I would like to get your views on this too. What essentially we are saying here, just so I can quote it, is that nothing will be exempt from this development charge, save and except land used for municipal purposes or for secondary and elementary schools. Right?}$

Mr Beer: Yes.

Mr Ferraro: I find it very interesting when one considers that under the Assessment Act lands owned by the province and/or the federal government are exempt, and churches and so on. If I am not mistaken, in the past municipalities have usually given grants in lieu of taxation and so forth. I find it difficult that we are not exempting churches and indeed federal and provincial developments, if you will, or universities from this charge, and yet we will allow a municipality to build an arena, for example, and exempt that. I realize it has been done in the past, but why would we not seize the opportunity now to make that exemption?

Mr Beer: Could I ask Mr Trbovich to respond to that? There are some principles and also some relationships between the procedures at the Ministry of Municipal Affairs and the Ministry of Education.

Mr Ferraro: I totally agree. It is the principle I am really confused about.

Mr Trbovich: This particular section of the bill is similar to the section contained in parts I and II. There is a reciprocal arrangement: The

school board will not levy on municipal construction; the municipality will not levy on school construction. Notwithstanding any other act, including the Assessment Act, all property that is new development would be subject to levy. That is the context.

First, it was felt that it would be up to the board and indeed the municipality—It gives them the flexibility to exempt developments. They may wish to exempt a senior citizens development, a co-operative housing development or whatever. Given that they are closest to the community needs, they are in the best position to make those exemptions.

The second thing is that it was felt that provincial and federal governments that are in the business of development—if there is an expansion at Pearson International Airport, for example, it should also participate in the cost of the new-growth infrastructure to support the development. It was felt that they should not be exempt, but that the decision should be left with the board and the municipality which was closer to the scene and could make those determinations. That is the thinking.

Mr Ferraro: If there is a federal or provincial development—let's use your example of an airport—does it not participate in the development of the infrastructure by giving the funds to build the thing in the first place?

Mr Trbovich: There certainly is a lot of capital infrastructure associated with the airport itself. But I am sure the city of Mississauga could document the need to increase its arterial roads and other services around that development, because the airport does spur development to the airport itself. So there is a very important connector. Historically, of course, lot levies have been collected from the development at Pearson.

Mr Ferraro: I do not want to prolong this argument, but it is one of principle. I find it difficult, as a member of Parliament responsible for Ontario, that what we are saying here is that some municipalities can and will and have the right to charge for university buildings and churches, and other municipalities may not. I do not know. It appears to me that they are exempt under the Assessment Act from taxation but they are not from development charges. I just wonder whether we are opening a real can of worms here.

1130

Mr Beer: The point you raise is a valid one. The approach has been to try to do something here which is comparable in terms of the way Municipal Affairs and Education would function. We are looking at this levy in the context of to what extent we are generating new growth, new pupil places. It is leaving the decision to the local level to make those determinations, and that would relate to some of the institutions you have mentioned.

 $\underline{\mathsf{Mr}\ \mathsf{Ferraro}}\colon \mathsf{There}\ \mathsf{will}\ \mathsf{be}\ \mathsf{further}\ \mathsf{discussion},\ \mathsf{I}\ \mathsf{am}\ \mathsf{sure},\ \mathsf{as}\ \mathsf{we}\ \mathsf{go}$ along.

<u>The Chairman</u>: Mr Ferraro, you have in front of you a memo from Ms Anderson to myself, which she might wish to comment on now. It is as a result of your inquiries last week.

Ms Anderson: I think he has covered it, actually, but many of the municipalities choose to exempt churches or not exempt churches, and there is a wide variation at the moment as to whether they are exempt or not. That is part of the Assessment Act. But there is a point in the proposed legislation which allows them to designate which uses will be charged or not charged; it is not mandatory.

Mr Ferraro: I thank Ms Anderson for that. It just reinforces the fact that there is a patchwork, if you will, of charges on these nonprofit institutions—in many cases, they are government institutions—and I am trying again to get back to the principle of whether we should not just exempt them period.

The Chairman: Do you think we could try and put through the rest of this in the next 10 minutes? Because I do want to clear up some of the problems concerning Bill 19.

<u>Mr Beer</u>: We referred to section 30 briefly before, which relates to public notification, the appeal process, how that appeal is done. I do not know if there are any further questions, but the intent, again, is to ensure that there is public participation in that, and the board must set out the reasons for the levy and explain what it is they are doing and then provisions for appeal of that.

Section 31 then deals with, as is noted, the terms of the development charge, how the bylaw comes into effect. Again, I do not know if there are any specific questions on that

With regard to section 32, that the bylaw is set for a maximum term of five years—The board can set it for a lesser term, but here again it is to ensure some stability so the board, the developers and so on will know what the state of the art will be during that period. But each time a new bylaw is drafted, or indeed if there is an amendment to that bylaw, it must go through the public process. Again, we have tried to insure that we build in a public process as part of that.

The Chairman: What happens if you end up with more money than is needed?

Mr Beer: Remember, the money goes into that fund, that bank account, and it can only be drawn down where in effect the ministry has approved the need for that particular school. If in fact one ended up with a number of developments and there were simply no children in them, in effect the board, or the boards in a coterminous situation, might indeed have money in the bank. It could bear interest and, presumably, later on, when there was a need, that could be used. I think our sense, at least in the short term, is that most of those dollars will be used.

The Chairman: Would it be returned to the ratepayers?

Mr Beer: Frankly, what the boards would want to do would be to maintain that account, because those would be funds that at some point would be called upon. I suppose that if over a period of time there was a large amount there and clearly no one could forecast any development, presumably the board and the province could discuss that. But the sense is that because those dollars are coming in as a result of new development, that new development, by and large, would be calling for more schools.

Section 32 again talks about the enactment of bylaws or changes to the existing bylaw.

Section 34 outlines the form the development charge may take on both residential and commercial-industrial assessment. It provides school boards with the authority to enter into payment-in-kind arrangements with developers. We had discussed this before with Mr McCague. Finally, it establishes that a

developer is not entitled to receive a building permit for a development upon which an education development charge has been imposed until the charge has been paid. So that charge must be paid. Section 34 sets out the procedures and rules around those elements.

Section 35 deals with the collection of the funds. I think we touched on that a bit earlier in terms of the role the municipality plays. Where there is no municipal organization, the school board itself would collect those funds. There are again some technical points about how that would all be done and the responsibilities of the municipality as to how it collects the money, which come into section 36.

Sections 37, 38 and 39 deal with other mechanisms for the collection of unpaid development charges.

Section 40 deals with, where there are errors in terms of the collection, what redress there is for the municipality to have that rectified.

Section 41 deals with the regulations that will be developed for the education development charges.

That sets out on the last set of pages a kind of outline, a synopsis, of what the regulations would contain.

The Chairman: Mr Ferraro has a general question.

<u>Mr Ferraro</u>: Part of the Treasurer's paper dealt with not only lot levies but with the encouragement or the option given to school boards to lease facilities from developers. I am making the assumption, of course, that they would be allowed to do that.

If Mr Pelissero is going to build a school—he is a developer for the city of Guelph—and it is going to cost \$3 million, the city of Guelph can say, hypothetically, "We are not going to charge you development charges on that portion of land, and subsequently that saving will be indicated in the amount of lease you are going to charge the school board." That is my first question.

Second, if it is going to cost Mr Pelissero \$3 million to build this school and the lease is going to be, hypothetically, \$300,000 a year, does that come out of the development charges fund or does it come out of operating?

Mr Beer: I think it would come out of operating. I will ask Mr Trbovich to comment on the example as well. The point I would like to make is that there may be a number of proposals that come forward, and in some cases they may be joint ones where both the municipality and the school board are talking with the developer about a project. One can see that in a number of communities.

Mr Ferraro: On a library or something.

Mr Beer: Indeed, we already have before the ministry a number of proposals which involve other facilities than just the school that would be built, other recreational facilities, libraries and so on. But I think that in terms of the approval for proceeding, again, as far as the school is concerned, the Ministry of Education has to approve that the school is needed and is going to go forward, and would be involved, then, in reviewing what the arrangements were.

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For example, I think the Treasurer would have a very strong interest in any kind of agreement between a developer and the school board or the municipality in terms of what that meant for taxes and various other financial elements that might be involved.

It is difficult to deal, in a sense, with hypothetical situations, because once one could sit down and really dot the i's and cross the t's, a number of hypothetical situations might work out. Obviously, the school board wants to ensure that its interests are protected. I think the ministry wants to ensure that as well for any provincial funds that would be involved, and as I say, the Treasurer would perhaps have other interests. It seems to us that there can be, if you like, some win-win-win situations here where the public good would be helped by that sort of arrangement.

Mr Trbovich: I think that is essential, that each project would have to be evaluated: Are the taxpayers getting the best value for the dollar expended? If there is a leased arrangement which in the end, after it is all costed out, works out as a benefit, then indeed it becomes a very positive option. I am sure the board has the flexibility under section 34 of the act to enter into such an agreement.

Mr Ferraro: I think flexibility is good, but were you right in saying that the cost of leasing a school would come out of operating?

Mr Trbovich: The cost of leasing the school would be the responsibility of the board. It would have to fund that, just as it does now fund the cost of all capital expenditures for which it is responsible.

Some boards debenture. Some boards pay as they go. In the cases of the growth areas where there has been so much demand on taxpayers' dollars, the mill rates are the mechanisms that help support that funding, whether it is through debenturing or leasing, if that should arise.

Mr Ferraro: But if I am going to lease a school and it is going to come out of operating, it will mean I have to tax the whole community, as opposed to the intent of the legislation, which was to facilitate greater flexibility with development charges. Why the hell would I want to lease a school, then, because I would miss out on the 60 per cent?

Mr Beer: When the board sits down to look at the options in front of it, that is one of the considerations: "Can we work out a better deal through some leaseback arrangement"—to use the example—"or is it really going to be much more cost—effective for us to go ahead and build it and to have a lot levy?" That is what the board has to look at so that the taxpayers' dollar is being expended and getting the greatest possible good. In that situation, if you found that you were going to be spending more, clearly you would not do it; you would say, "No, it makes more sense for us, the school board, to build a school."

The Chairman: So you will not see much leasing.

Mr Ferraro: That is my point exactly.

Mr Beer: It depends. What is sort of difficult at this point is that if you talk with some of the people in the different boards, especially in the fast-growth areas, the Treasurer's green paper brought about a lot of new

ideas and discussion in terms of other ways of building schools than through the lot levy, but I think all of that is at a very early stage, so we just do not know yet.

The protection which we have to ensure is there for the public taxpayer, both local and provincial, is that the system is very clear and public in terms of how we proceed. That is where it is important that the existing system, whereby the Ministry of Education approves the construction of a new school, remains in place. Those mechanisms are still there in terms of identifying where new schools are needed, and only when that has been approved can the board then proceed with the construction of that school, whether that includes establishing a lot levy or some other arrangement. But the ministry would always be involved in that determination.

The Chairman: Very quickly, Mr Kozyra.

Mr Kozyra: This is another general, long—term type of question. These high—growth areas eventually slow down and the children grow up and the schools are underutilized and perhaps even prone to be closed. I am wondering whether the ministry has worked with, say, Housing or Senior Citizens or the Health agencies in looking at building in upfront flexibility to convert these later on to either health delivery services or senior citizens' dwelling units after the need for school classes is over.

The Chairman: A very quick answer.

Mr Beer: Yes. I think that is a concern that has been expressed by so many people. You look at, say if you live in York region, whether you could pick up some of the schools in the northern part of North York and transfer them; clearly that would make a difference in some of the needs. So there is actually a lot of work that has been going on in terms not only of, "Can we put up buildings which could then later be used for other purposes?" but also of, "Can we build schools which can be taken down afterwards or where there are wings of them that are portable?" They have good construction but they could be moved as development occurs in other parts of that area.

Mr Kozyra: Is that on an optional basis for a developer and so on, or is that moving towards almost a compulsory qualification for a new building?

Mr Beer: I think it would be fair to say that we are not at a compulsory qualification, but increasingly both boards and the ministry and the Treasurer (Mr R. F. Nixon) are saying, "Let's find more innovative ways to meet the need for new pupil places." That can include everything and that is why this leaseback idea has also come up, because at the end of 20 years, say, of an elementary school, then that property might be used for something else if it were no longer needed, whether as housing or whatever.

Some people have talked about simply changing the size of the piping and sewage and so on, but then a school would be able to meet certain standards where you might want to change it into some sort of senior citizens' facility. I think that a lot more certainly needs to be done in that area, but that is very much front and centre for a lot of the school boards and for the ministry, I think.

The Chairman: Mr Beer, thank you very much. Obviously you have broadened our understanding of part III very considerably.

Mr Beer: We hope we have not confused you, Mr Chairman.

The Chairman: I do not think so. I think that is not the case. We will welcome and, of course, expect your continued interest and input as we continue to consider this bill. Thank you for your participation today and also the officials.

ORGANIZATION

The Chairman: Moving back to the procedural concerns that we raised at 10 o'clock, under standing order 63 I feel that I must rule Mr Haggerty's motion out of order because it is a motion that would involve considering Bill 18. The rule would seem to indicate that we cannot consider it for five days following it being referred to us. It was referred to us on Tuesday of this week. I think, Mr Haggerty, your motion would bear more weight, if you do wish to raise it, if it were raised subsequent to that five—day period, such as next week if you wish to.

Mr McCaque: What was referred back? Have you got a communiqué from anybody? What were you told?

<u>Clerk of the Committee</u>: It was a motion in the House on Tuesday afternoon to refer the bill back to the committee. There were no instructions attached to the motion.

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<u>Mr McCague</u>: I have been trying to find out why this is coming back to us, and it appears that it was our party that wanted it to come back. The reason why it is back is not very clear. I had communication with the New Democratic Party House leader and our House leader who say that, "Yes, it should be back here," and I say that without knowing why.

In order to help with the impasse we seem to be in, it would be my motion that yes, we received a communiqué from the House leaders that we not report Bill 18 back to the House until we report Bill 20 back. As an aside to all that, I very strongly suggest that we not complicate the issue of Bill 20 in our advertising with the inclusion of Bill 18. That is my motion.

Mr Pelissero: Correct.

The Chairman: On the issue as to when we report back Bill 18, in view of what I have just said with regard to Mr Haggerty's motion, I do not think we can consider that until five days following Tuesday. However, on the issue of advertising, that is not consideration of the bill but merely consideration of how we will consider the bill. That is in order.

The committee has at the present time passed a budget and passed instructions to the chairman to seek funds for advertising Bill 20, not Bill 18. At the present time, it is the intention of the chair to appear before the Board of Internal Economy on Monday afternoon, get that permission and, hopefully, later on Monday place those advertisements. If we were going to include Bill 18 in the advertising, we need to discuss that today or else I need to receive instructions to hold off until we are ready to discuss that.

I gather Mr McCague is placing a motion before the committee to the effect that we not include Bill 18 in the advertising; in other words, that we not vary the instructions to the chairman on advertising. Is that the situation, Mr McCague? And in so doing, you are saying to us that when it is the case that we can consider Bill 18, we do so by way of not reporting it back to the House until we are reporting back Bill 20?

 $\underline{\text{Mr McCaque}}\colon$ We have the advantage of Hansard. If you are pointing out something in the rules that stops my motion from being considered, that is fine. You might just start off by saying, "I think I have a consensus that," and let's see what you say.

The Chairman: I think I have a consensus that we not report back Bill 18 until we report back Bill 20, but that we also not include Bill 18 in the advertising we have already agreed we will do for Bill 20 if we get permission from the Board of Internal Economy.

Mr McCague: I could not have said it better myself.

Mr Morin—Strom: I agree with that part of the consensus. I will just make one additional suggestion, and that is that—perhaps we need some clarification from the clerk—we have conducted the clause—by—clause on Bill 18 and I think we would have to have unanimous consent to reopen that.

Clerk of the Committee: The effect of the recommittal to the committee is as if the original referral and all of the committee's dealings with it had never happened. The order for third reading of the bill was discharged and the bill was recommitted back to the committee, so it is as if what the committee had done had not happened. It supersedes the committee's previous consideration of the bill, so we are back where we started exactly when the bill was originally referred to the committee.

<u>Mr Morin-Strom</u>: So we would have to go through clause-by-clause again?

Clerk of the Committee: Yes.

Mr Chairman: It did not take very long to do it, so I guess we could do it, but I presume, from what Mr McCague is saying and the consensus I am hearing, that we will not do that until we are dealing with clause-by-clause of Bill 20. We certainly cannot do it today.

Mr Haggerty: My point, though, is in waiting for the discussions and the debate and public hearings on Bill 20, that means it could be three months before approval of Bill 18. I have concerns about that, because you have many municipalities out there now with major expenditure in capital projects that will be looking forward to borrowing money at the best interest rate they can find. That is through this Bill 18.

If the Tories want to take the responsibility and say, "Yes, it will be four months before we get approval of this"—normally when the municipalities are in the construction stages of these projects, it is usually about September or October that the money has to come forward from someplace to pay for it. I do not see any reason why we should be delaying that because there is an advantage in that Bill 18 for municipalities.

The Chairman: Mr Haggerty, I hear what you are saying, but you also heard what Mr McCague said that he heard from the two opposition House leaders, so I guess you should raise that in the House.

Mr McCaque: The other thing is, as I understand Bill 18, it increases the limits and does not preclude the kind of thing that Mr Haggerty is talking about—

The Chairman: —unless a municipality wishes to—

Mr McCaque: —borrow over the \$200 million and the likelihood of that is like us going to moon as others did 20 years ago.

The Chairman: All right. Is there any other discussion on that then? I think we know where we are going on that. I can report to the committee—and in fairness to the opposition House leaders, I was informed today that I understand, I hope I did, that there is almost a consensus now on new rules which will not include some of the concerns that we have had but, in any event, we will be presenting our views and they will probably be referred to the standing committee on the Legislative Assembly.

It is my understanding that there is a likelihood that this committee will have two sitting days as of September. They are working on that, in any event. I can also report that our request for five sitting weeks has been responded to with three sitting weeks.

On receiving that information, and Mr Morin-Strom pointed out to me some of the problems that raised, I wrote this morning to the House leaders and whips to the effect that in view of the delay in getting our advertising under way for Bill 20, our initial request to sit in August is rescinded and we are asking that our sitting time be in September, probably the last three weeks in September.

That request is now sitting in front of the House Leaders and whips. I know that other committees want the same time so that does not mean it has happened, but in any event we have changed our request in that regard.

Finally, Ms Anderson would like to chat briefly with you about the memo she has given you. $\dot{}$

Ms Anderson: I just wanted to follow up on last week's things from the Ministry of Municipal Affairs. I talked briefly about the exemptions to the municipal lot levies. There was also a question of whether anybody had done any impact analyses on the effect of house prices or on rents. My colleague Jerry Richmond and I phoned around quite a number of places and there have been no formal econometric models done of the impact, partly because the regulations of the new bill have not yet been released and people do not have sufficient information to work with and partly because I think there are a number of factors involved that makes it hard to do that. Municipal Affairs has done surveys of the existing lot levies which would represent the maximum amount that could be passed through and it has some of that information.

Mr Polsinelli also mentioned in his speech last week a couple of papers. One was the green paper by the Treasurer and one was the paper that had been released by the Minister of Municipal Affairs (Mr Eakins), and I have circulated a copy of that to you at this time. On the back of that, there are the results of a lot levy survey which gives the lot levies in quite a number of municipalities in 1987.

Mr Ferraro: Could I ask Ms Anderson, if it is not too much trouble, to find out for the committee—there is no big rush—from a national perspective which provinces allow these type of charges, and give us specific reference to the exemptions, whether there is a degree of flexibility, if you will, that is being proposed or whether they exempt everything that is under the Assessment Act.

Mr Pelissero: We may need a subcommittee meeting some time in

August. That is under the maybe misguided assumption that we may be out of here before next Thursday when there would be a regular committee meeting. Depending on the response to the advertisement around Bill 20, a subcommittee meeting may be necessary to talk about locations that the committee may have to visit.

The Chairman: Yes.

Mr Pelissero: I am just saying that may have to happen some time in August. If we are successful in the committee sitting time happening the last three weeks of September, we may need a subcommittee meeting some time mid—August to work out the locations, etc.

The Chairman: Yes, we may.

Mr Pelissero: Or do it by phone or whatever.

The Chairman: Perhaps the subcommittee can decide after we adjourn, whenever it is convenient to all of us.

Mr Pelissero: Okay.

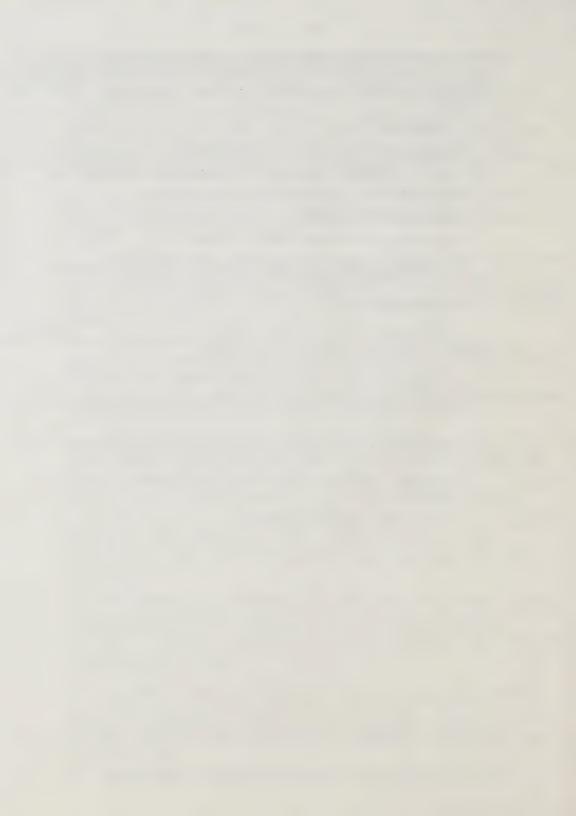
The Chairman: We may have more information. For instance, I have no information at the moment as to what happened to our request to travel, which included a request to travel out of the country.

Mr McCague: If you are going to meet the last three weeks in September, you have to presume that the House is not going to be sitting by mid-September. Because if the rules were followed, then you would have to sit in September. The new rules would have you coming back in September.

Mr Morin-Strom: That is the new rule, but I think there seems to be an understanding that this year it will not be until October.

 $\underline{\text{Mr McCague}}\colon$ There seem to be a lot of understandings. That is all I am telling you.

The committee adjourned at 1200.



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS
DEVELOPMENT CHARGES ACT, 1989
TUESDAY 22 AUGUST 1989



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

CHAIRMAN: Cooke, David R. (Kitchener L)

VICE-CHAIRMAN: Pelissero, Harry E. (Lincoln L)

Cleary, John C. (Cornwall L)

Ferraro, Rick E. (Guelph L)

Haggerty, Ray (Niagara South L) Hart, Christine E. (York East L)

Kozyra, Taras B. (Port Arthur L)

Mackenzie, Bob (Hamilton East NDP)

McCague, George R. (Simcoe West PC) Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Pope, Alan W. (Cochrane South PC)

Substitutions:

Jackson, Cameron (Burlington South PC) for Mr Pope Reycraft, Douglas R. (Middlesex L) for Ms Hart

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witnesses:

From the London Home Builders' Association and the London Development Institute: Howe, Michael

From the Ontario Home Builders' Association: Mansfield, John, First Vice President Sant, Al, Chairman, Land Development Committee

From the Ontario Hospital Association: Tuck, Dr Dennis, Chairman Cunningham, Gordon, Chief Executive Officer

From the Ottawa-Carleton Home Builders' Association: Noonan, Michael, Chairman, Builder-Developer Council

From the Ministry of Education: Dalzell, Elizabeth, Policy/Legislation Analyst, School Business and Finance Branch

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Tuesday 22 August 1989

The committee met at 1007 in committee room 2.

DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

The Chairman: Welcome back to the committee. You have an agenda in front of you and you will note that the agenda has, to some extent, crammed a lot of the items into next week. The reason for that is a lot of the presenters frankly wanted as much time as possible, I think in part because, in the case of municipalities and school boards, the summertime is downtime and they needed to get hold of people to approve of positions and so forth. I think we can handle that without too much concern.

You will note also in the material you were given that there are draft regulations from both ministries, and there has been some concern on the part of some people that this material had not been available up until now.

Our first presenter today is the London Home Builders' Association. Michael Howe is speaking on behalf of the association. Welcome, Mr Howe. I understand that copies of your text will be distributed shortly. You will have your full half-hour, do not worry about that. We will just carry on. Please begin your presentation now, if you will.

LONDON HOME BUILDERS' ASSOCIATION LONDON DEVELOPMENT INSTITUTE

Mr Howe: I would like to thank you for allowing me this time to address your committee. I am speaking today on behalf of the London Home Builders' Association and the London Development Institute. These associations represent builders, developers, related trades, suppliers and professional groups such as surveyors, lawyers, accountants and lenders, all of which are involved in the production of new housing in the city of London.

London is a very special community in this province that has been able to operate counter to many of the housing problems now being experienced in the high—growth municipalities, predominantly in the Toronto area. For example, London has a residential rental vacancy rate of 3.1 per cent and enough rental housing under construction to move that rate above five per cent, as it was in 1979.

Rents are relatively inexpensive in comparison to the Toronto area, primarily as a result of a plentiful supply of inexpensive zoned land and relatively modest levy charges. The costs of homes in the city are some of the lowest to be found in any urban area of its size in Ontario. Again, this is the result of a good supply of residential lots competitively priced and a modest lot levy cost.

London does not have the problems experienced by the high-growth municipalities and many of the solutions proposed by this legislation will

cause a dramatic increase in the cost of homes and rents in London, a result that is counter to the stated policy of the government of Ontario as outlined in the recent policy paper on housing.

I would like to deal first with the proposed education levy. This is, in our opinion, the most damaging, poorly thought out piece of legislation imaginable. Further, it appears to be nothing more than a very transparent attempt to transfer provincial costs of education to the municipality, which will pass this expense to the new purchaser.

Future provincial budgets will continue this trend of decreasing provincial support, automatically increasing the cost to be paid by the new home purchaser and renter, further exacerbating the already critical shortage of new rental housing and driving up the price of new homes.

The suggestion by the Minister of Education that assisted public and nonprofit housing be exempt from levies is absurd and places a further burden on purchasers and tenants of market housing. The assisted and nonprofit housing sector will be contributing as much or more to the demand for new school space, but the market housing purchasers and tenants will be carrying the total cost of the leviable share, a terrible inequity.

The entire concept of an education levy is unfair to the bulk of new home purchasers and renters. For example, if a family with three children purchases a home from a retired couple, while the addition of three students will contribute to the need for additional school space, the family will pay no levies. Yet the retired couple will pay school levies if they purchase a new condominium or rent a new apartment.

What about the young professional couple with two children who purchase an inner-city condominium in an in-fill type of development? Schools already exist, with surplus capacity, as a result of declining enrolment in older neighbourhoods. This couple will pay an educational levy which will presumably be used to construct schools in a suburban area.

How do we justify the imposition of education levies on bachelor and one-bedroom apartments, whether rented or purchased? These consumers presumably will have no effect on the demand for school space yet, under the proposed Bill 20, would be obligated to pay education levies. This is both ludicrous and patently unfair.

As for a commercial development levy to be assessed against new commercial development, it is unclear to this association what the relationship is between new offices or warehouses and the increased demand for school space in the suburbs. It appears to be a none-too-subtle approach by the provincial government to attempt to enhance revenues under the pretext of user fees, a tenuous relationship to commercial development at best and at its worst nothing more than a hidden tax without any conscionable basis.

The education levy is opposed by both the London separate school board and the London public school board. These positions have been made clear to the minister and his staff by the respective boards, and I have a resolution of the London separate school board condemning the use of education levies and a copy of the London public school board brief which also disagrees with the proposed legislation and the concept of levies.

While most levels of government are trying to inflation-proof their revenues, Ontario would have the local school boards depend on a source of

funding that is cyclical in nature and highly sensitive to fluctuations in interest rates and consumer confidence. In our opinion, a far more equitable approach would be to increase the land transfer tax and dedicate this money to education costs.

Second, I would like to comment on the proposals under Bill 20 for municipal lot levies. As pointed out earlier, London has the enviable position of having a healthy vacancy rate in rental apartments and housing prices that rank as among the lowest of any major urban area in the province, partly as a result of a very reasonable level of levies.

Up to the middle of this year, for example, in London the levy for an apartment unit was \$1,340 compared to \$8,380 in Kitchener. This additional \$7,040 means that an apartment in Kitchener would be at least \$75 per month more than the identical apartment in London, based on current rates of interest. The difference in the single-family levy charges at this time was \$8,380 in Kitchener as opposed to \$2,410 in London. The cost to the home owner in Kitchener to pay the interest cost on the lot levy charge on his or her home at today's rates of interest is \$87 per month.

Unfortunately the city of London has, with the discussion paper on lot levies and in anticipation of the new legislation, doubled its lot levies across the board effective 1 August of this year. The city felt that it was missing a tremendous source of revenue, estimated to be at least \$10 million per year, that other municipalities were charging the development industry and ultimately the new home purchaser and renter.

This increase in London, along with the proposed education levy, estimated by analysts to be in the range of \$5,000 per housing unit, would put the cost of levies in London in excess of \$10,000 per home and add more than \$100 per month to the cost of housing in the London area. This will have a major impact on affordability of housing, whether purchased or rented, and will have the most dramatic effect on the first-time buyer and the rental market, the two areas of the housing market that the government of Ontario is purporting to help.

London presently collects levies based on the authority of private legislation passed by the province of Ontario. It is unclear at this time whether London would operate under the old private member's bill, the new legislation or both. It would be desirable that London be obligated to operate only under the new legislation and not be allowed to pick and choose the most desirable parts of both sets of legislation.

In addition, municipalities that have attempted to set a high threshold of levy charges within the two years previous to the introduction of Bill 20 should be required to justify the levy charges under the new guidelines and rebate with interest any overcharges that resulted. There is presently no provision to compel a municipality to rebate overcharges made under previous legislation.

This legislation requires inclusion of the principle that the calculation of levy charges should include a credit for the share of capital debt and interest thereon that a new home owner or renter will assume as part of his or her municipal taxes. For example, between seven per cent and eight per cent of each home owner's annual municipal tax payment in London, over the past few years, has been used to pay principal and interest on the city's debt—debt which was incurred to provide capital improvements for the existing residents of London. Now, if the new home owner is to pay upfront the

growth-related net capital costs resulting from his new home, why is that home owner also paying interest and principal on the capital debt used to provide many of these same services to existing residents of the city?

This type of hidden double taxation is both regressive and offensive. While I do not have figures for the percentage of taxes that are applied to principal and interest in municipalities other than London, I am advised that the maximum permitted under Ontario Municipal Board guidelines is 20 per cent, certainly a major portion of any home owner's or tenant's monthly housing cost.

The legislation and regulations need a much clearer definition of "growth-related capital cost" and the method of calculation in order to prevent the abuse of levy funds by municipalities seeking to lower the cost of their capital improvements.

For example, an existing arterial road in a municipality presently has 30,000 vehicle movements a day on a road design-rated for 20,000 vehicle movements a day. New development over the next 10 years will add an estimated additional 10,000 vehicle movements per day. Should the cost of the entire road improvements be paid out of levies, or should they be paid one half from levies as a result of new growth and one half by the municipality as a result of the problem that presently exists?

The fair and equitable method would be the apportioned approach, and I believe this is the intent of the legislation. However, subsection 3(6) of the regulations would appear to permit the municipality to pay all of the cost out of levies generated by new home owners, with the catch—all that the service was substandard under another act.

There have been persistent suggestions that subsidized and nonprofit housing will be exempt from lot levies, and section 7 of the proposed regulations would appear to exempt health care facilities from levy charges. Both subsidized nonprofit housing and health care facilities are social services that the people of this province want provided and both will put demands on the sewers, treatment plants, roads and other hard services, necessitating the expansion of these services. If new housing is to pay all of the growth-related net capital cost, then market housing will be subsidizing the cost of services provided for subsidized nonprofit housing and hospitals. If we as a society wish to subsidize these two social programs—and I believe we should—then society as a whole must subsidize this cost, not just the new home owner and renter.

Finally, this association believes that only the cost of hard services—that is, roads, sewers and water—should be paid for from levies if this government seriously wishes to do something about the affordability problems and the shortage of rental housing in this province. While it may be desirable to charge the growth-related capital costs of the municipality to the home owner, this is extremely unfair as historically, most municipalities, other than those in the extremely high-growth areas, have provided these capital works through a combination of current municipal revenue and debt.

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Lot levies are a regressive and hidden tax that take all accountability away from the municipal politicians who make the expenditures. There is no input by the ultimate payers of the levy. Boccie courts, tennis courts, day care centres, senior centres or a variety of other services, while highly desirable, may not be important enough for them to pay in advance for the ultimate provision of these services if they had the choice.

There are those among the government of this province who would have you believe that developers are going to pay these charges and that there will be little or no effect on the price of housing or the availability of rental housing in the province. I cannot stress strongly enough that this is not true.

The imposition of the various proposed levies in London will serve to stop further starts of rental accommodation until vacancy rates approach zero per cent and thus permit the needed 20 per cent increase in rents that would be required to offset the effect of these levies.

As far as new homes are concerned, the profit margins of most builders in Ontario are such that if costs such as this are not passed through to the consumer, they will not be in business much longer. The resultant increase in the price of new homes will spread to the resale market, adding to the price spiral that is the heart of the affordability problem.

In conclusion, I would like to reaffirm the following points:

- 1. There should be no education levy. It would be unfair, no matter how it was structured.
- $2.\ \mbox{A}$ land transfer tax increase would be a more fair and equitable approach.
- 3. Local school boards in London and most other low-growth areas do not support the introduction of school levies and the decrease in provincial cost-sharing.
- 4. Education levies will cause further reductions in rental housing production and further exacerbate the affordability problems associated with new homes and rentals.
- 5. Commercial—industrial development does not contribute to the need for additional school space and should not be obliged to pay a school levy.
- 6. While we are totally against education levies, in the event that an education levy is put in place, the following items must be considered:
- (a) School boards must be obliged to purchase land at market prices. The blackmail approach to development approval which allows the board to acquire land at little or no cost would result in a double payment by the developers of subdivisions with school sites. They would dedicate the land to the board for no payment and also pay education levies on each lot.
- (b) School boards must be required to purchase sites which they designated for school purposes on a timely basis. The practice of requiring the developer to hold the site for five or more years while the board decides if it is going to acquire the site is costly and unfair.
- (c) School levies must not be used for repair or renovation, only the creation of new space. Use of the funds for repair or renovation would make a farce of the concept that new home owners were paying a portion of the capital cost of providing the new school facilities that are necessary as a result of new growth.
- 7. Municipal lot levies should only apply to "hard" services, that is, roads, sewers and water.

- 8. Rolling stock, equipment and wages should not be paid from levies.
- 9. The term "growth—related capital cost" needs further clarification and definition to prevent abuses.
- $\,$ 10. Overcharges by municipalities under the previous system should be refunded.
- 11. The calculation of the levy charges should provide credit for the amount of capital debt and interest thereon that a new home purchaser or renter will pay as part of their municipal tax.
- 12. Nonprofit housing and hospitals must not be exempted from paying levies, as the cost of providing the increased services required for them would be borne by the market housing consumer, an unfair burden.

I thank you for your attention and patience. If I can answer any questions for you, I will be happy to do so.

 $\underline{\mbox{The Chairman}}\colon \mbox{Thank you very much. You certainly did not pull any punches.}$

Mr Reycraft: You indicated in your presentation that you had no objection to recovering the cost of expanding hard services where the expansion was necessitated by additional development, yet you indicate that in principle, you oppose the use of lot levies for education. Do you not agree that new development in any community, whether it be Toronto or London, does create a need for capital expansion of the educational system in a municipality?

Mr Howe: In a very simplistic approach, I believe that what the member is saying is correct. Unfortunately, in most school boards, certainly in the experience in London, students are being bused from a wide variety of locations for accommodation in new or older schools in various locations within the municipality, which totally seems to confuse any sort of logic asto who is paying for what.

The problem we see with the education levy is that it places an unfair burden on a certain segment of the home—buying population who may not necessarily be creating the entire need. We feel that a much more equitable approach would be to target the residential sales market in its totality; not just new homes, but the sale of all homes. That could be done through a much smaller land transfer tax increase and it would be spread out over the entire housing market. That would hit all of the people who are responsible for the growth and requirement for additional educational facilities. That to us seems a much fairer and more equitable approach.

Mr Reycraft: If I could follow up on the same point, because I am still not clear on what the position is. If new development creates capital need, both in hard services and in education, what is the rationale behind saying the development should cover the cost of expansion of the hard services but it should not support the cost of the educational services, of the capital needs and the educational services? What is the difference?

 $\underline{\text{Mr Howe}}$: I do believe there is quite a large difference. First, as I said before, what the actual demand is cannot be clearly measured because of the mixing of students from a variety of locations. I believe that a lot of the people who are purchasing homes are not purchasing their first home but a

second, third or fourth home. They have already contributed heavily to the building of schools in their municipality and they are now being forced to prepay additional school charges. I do not feel that it is a fair measure of the burden. It is not fairly targeting those people who are in fact creating all of the demand.

Mr Reycraft: I agree with that, that you cannot really measure to what extent the new development is creating the need, and that if the people moving into the new subdivisions are second— or third—time home buyers, then they have already paid for services. But is that not also true of roads, water systems and sewer systems? You cannot really assess to what degree those people are going to use those services either. If they are second— or third—time home buyers, they have already paid for those services elsewhere in the same community or some other community.

 $\underline{\text{Mr Howe}}$: The roads and sewers equation is one of the easier ones to follow, because there either is flow in a sewer or there is not. It is a very simple mathematical equation, calculating the flow of a sewer or the flow of traffic from a proposed development. The cost of expanding the roads and expanding those sewers can be measured and quantified.

With education, so much of new residential development will be seniors who are retiring into a condominium, or singles moving into an apartment, or married people who have no children; these people are not contributing to the need for school space, yet they provide a very large majority of the new housing market. As such, if they are not contributing, they should not, in my mind, be paying an education levy, because they are not creating a need for space. Again, that applies to the commercial and office development and also to that large segment of the residential market that do not have children, whether they be retirees or singles or just married with no children.

I hope that explains our position a little bit clearly. There is basically quite a difference. Not all those people you are targeting here are contributing to the problem.

The Chairman: Do married people with no children have a large majority of the new housing purchases?

Mr Howe: Certainly in residential rental and condominium apartment construction, you will find that the large majority of the purchasers do not have children. That is certainly a fairly large segment of the population. We are looking at seniors as being the fastest—growing market. We are all approaching that market ourselves; some of us, I guess, will be there sooner than others. In any event, we will become the purchasers of retirement communities and condominiums and renters of apartments in downtown locations who will not be creating any demand. Yet, under the terms of this proposed legislation, we would be required to pay the education levies, because we are supposedly contributing to a need for school space, and I do not see that.

The Chairman: Provided schools are being built there.

1030

Mr Mackenzie: Would it be fair to say that the guts of your argument is that a restricted group of people, not necessarily well to do, are going to be paying an excessively large part of these capital costs with this particular piece of legislation, as well as taking the provincial government off the hook in terms of the percentage of costs on education?

 $\underline{\text{Mr Howe}}$: In a nutshell, that is a very accurate assessment of what we are trying to say.

Mr Jackson: I have some concerns about the impact this is going to have on the rental market. My understanding of the way the rent review legislation works in this province is that there are a couple of ways in which this bill, when imposed on rental units, development charges. If you are talking about an apartment building, you are talking a massive increase, a massive capital transfer, when they do not generate—The school boards themselves will tell you that in an apartment, under those circumstances, they would expect half a child per unit versus a new subdivision, perhaps, where there might be 1.2 children per household.

But more important to the point, have you looked in any detail at the impact this legislation will have on the rental market with respect to inflating base rents at a time when affordability is at its worst, or its impact on some of the comparability tests, which the current provincial legislation allows for, to show that this could drive up rents in existing and older buildings because of comparable market value rents? Have you looked at that whole side of the equation, because it really does affect affordability, this kind of legislation and the manner in which it is being imposed?

Mr Howe: My business primarily is the construction of rental residential properties, both high-rise apartment and town house, and I am very familiar with the market that is being questioned. Certainly, as far as new construction is concerned, the cost of levies in London going from \$1,000 per apartment suite to somewhere in the vicinity of \$10,000 or more will add, if you use the age-old formulas of revenue versus expenses that seem to be tried and true in our industry, you will end up with what we figure as somewhere close to a \$150-per-month increase in the threshold rent to justify the cost of all these levies.

Whether that will have an effect on the existing rental market is difficult to say. Certainly, under present rent review guidelines, the fact that new buildings are charging twice as much rent really has no bearing on what you can charge. It certainly will put tremendous pressure on our industry to provide new housing. We feel we are already past the threshold of what people can afford.

For example, in London, as I said, we have a 3.1 per cent vacancy rate. That is very misleading. What we have is a 0.04 per cent rate on buildings that were built prior to 1975 and almost a 10 per cent vacancy rate in the 10,000 units built in London after 1975. That is because those rents are just reaching to the point where the average renter or consumer cannot afford that rent; therefore, they shop around and they move or they try to get into a rent-controlled older building where the rents are considerably lower.

Mr Jackson: Most of those post-1975 buildings were built under condominium but are operating as rental units, and they are able to turn those from rental into sales with limited notice to the tenant?

Mr Howe: The imposition of, I believe, Bill 211, which is the Rental Housing Protection Act in its revised form, now only permits one unit in a multiple building to be converted by the owner of that unit; I think it is under the appropriate section of the rent review act, which permits an owner to ask a tenant to vacate so that he or his immediate family may occupy it. That was the approach many of these condominium people were taking. They would sell the unit to someone who would then say: "I am going to occupy it. Mr Tenant, you have to move."

That loophole has now been closed. You can only have one notice of a condominium unit for occupancy by the owner; if you wish to have any more, the whole building has to go through the whole process of the municipality approval and there has to be equivalent rental accommodation available to the tenants, and there is a series of steps that have to be followed. It is no longer an easy step, and I think those units are pretty well safely in the rental market now for some time.

 $\underline{\text{The Chairman}}$: We have four minutes left; Mr Ferraro and then Mr Haggerty.

Mr Ferraro: I will try to be brief. I want to ask you a question you dealt with in response to Mr Reycraft: the demand. You made a point, and I think a valid one by some people's standards, that childless couples or single individuals who do not have any children should not have to pay an education levy. I think it was something to that effect.

Could you not apply that same reasoning to a situation where—I will use my own parents as an example: they have never been in an arena; they have never been in an opera house; they have never been in the ballpark. I am going to an extreme here, but could that reasoning not apply just about in every instance? Is the bottom line not, quite frankly, that we all pay taxes and it is from what source? We can argue that just about any tax does not affect a specific individual or group of individuals. The reality in this case is that if I am buying a new house in a new area and the premise is that there is not enough money and there never will be for capital projects, that if I am going to spend a few extra bucks, at least I am going to be able to send my kids to a school in my area. It is a twofold question, but is that not a reasonable proposition?

Mr Howe: Perhaps I can answer the question in two parts. The problem that we see in London with the lot levy requirements—I am speaking simply on behalf of the London area now—is that there is such a backlog in demand for schools that the thing that we are afraid of most is that our home buyers will pay a lot levy and not get a school. They will still be busing their kids to a school five miles away or downtown in the core area or whatever.

As far as the second part of the question is concerned, I think the member may have hit the nail on the head quite well when he says we all pay education tax. I get frustrated as hell when I pay that 50—odd per cent of my residential realty tax that goes for education. I do not have any kids and I did not spend a whole lot of time in school; we just did not get along. Unfortunately, I still have to pay it.

But the key is that we all pay it, we all share in it. The intent of this legislation is to target a very distinct minority of the population and say, "You people are going to pay an extra share for schools." Schools have traditionally been paid for by everyone. The cost of education is something we all share in, because I benefited from it, my employees' children benefit from it, I hire them because they are educated, whatever. There are all kinds of arguments, but the key is that we all pay.

I really believe that is a principle we should dealing in here. The land transfer tax spreads that out more evenly among the population than a simple lot levy on all residential construction which really, in a lot of cases, contributes no demand or no need for new school space and would, in the renter, in the new first—time buyer and in the seniors market, place an unfair burden on those consumers.

Mr Haggerty: That was one of the questions I was going to ask. Your opening comment was that people who are moving into these new subdivisions are not really first—time home buyers. For many of them, it is their second, third or fourth home. What they are doing, then, is moving from one community to another community and creating a problem out there. The problem is of services that are required. It could be, as Mr Reycraft mentioned, the additional expansion required for sewage treatment plants and schools.

Should it not be an extra cost for these persons who perhaps are not first—time home buyers, who are creating a problem within a community, who want to move up the ladder into a newer home or a different environment?

1040

Mr Howe: As I said before, the equation for calculating the engineering portions of sewers and water is relatively simple and we have no problem with it. The concept of schools is much more vague. There are so many problems associated with the way students are bused from one area to another; you are going to end up having to segregate a vast portion of the purchasing market or renting market, because they are not contributing to the problem. In the whole rental market, it becomes extremely difficult, because a tenant today may have no children but the next tenant might. How do we fairly treat those people?

These are the problems we see. There is no way of being fair to everybody under this system. You are going to hurt so many first—time buyers, so many of the seniors, so many of the single people who are trying to get started, trying to save for their first home, whatever. You are putting an undue pressure on them, whether it be renting or buying, and it seems to us that it cannot be targeted fairly without a lot of exemptions. Then it becomes so difficult to handle that it may become an administrative nightmare. Just the regulations for calculating at the 15 steps are beyond me. I cannot follow it.

The Chairman: You have done an excellent job of opening up the debate. You were the first presenter on this bill, as you are probably aware. I have a feeling we are going to hear a number of your arguments reiterated, even later this morning.

ONTARIO HOME BUILDERS' ASSOCIATION

The Chairman: The next presenter is the Ontario Home Builders' Association. We have with us John Mansfield, first vice-president. I understand Al Sant, chairman of the board, is here as well. Will you have a seat and identify yourselves for Hansard? I understand your brief is being distributed at the moment.

 $\underline{\text{Mr Mansfield}}\colon My$ name is John Mansfield. I am first vice-president of the Ontario Home Builders' Association. I will get right into the report, if I may.

On behalf of the Ontario Home Builders' Association, I would like to thank you for giving us the opportunity to appear before the committee and express our viewpoints on Bill 20, the Development Charges Act.

OHBA represents 3,800 member companies in 32 local associations throughout the province. Our membership is responsible for 80 per cent of the new home construction in Ontario.

I am here today with Al Sant, chairman of our land development committee. We have broken our presentation into two parts, because I think the legislation separates into two major sections. I am going to ask Al to talk to you about municipal lot levies and front—end financing, and then I would like to address the issue of education lot levies.

Mr Sant: I have been involved in discussions dealing with developing the framework for lot levies and front-end financing for a number of years. I was part of the AMO-industry-government working group initiated in 1985, which preceded the introduction of the green paper in December. As such, I am quite familiar with the issues which were raised about the pros and cons of lot levy legislation.

At the outset, I want to acknowledge that there are a number of positive aspects embodied in Bill 20 which will assist the home building industry and municipalities achieve greater accountability and structure in the imposition of lot levies. On the whole, however, the legislation will likely be very detrimental to the provision of housing in Ontario.

Given the wide parameters that municipalities have had in the use of lot levies, there has been relatively little consistency in determining what was leviable, how one had input in the calculation of growth-related capital costs and how the levies were ultimately used.

For years, because there was no framework, the debate centred on whether lot levies could be used for traditional hard services, those directly linked to growth such as sewers, water systems and roads, or more indirect soft services such as arenas, libraries and firehalls.

In order to get some perspective, I think it is worth looking back to one of the original Ontario Municipal Board decisions, Mod-Aire Homes Ltd v Georgina, on this issue. The board generally favoured the position that the Planning Act had intended the test for levies to be such that the need for services related to the subdivision of land, and not to the needs of the people who might inhabit the subdivision.

In another decision of cabinet, and I believe that is Mod-Aire v Bradford, it stated that lot levies had to meet three basic criteria: lot levies had to be necessary, equitable and fair, and I think those are lacking in this legislation. The reasoning was that levies were intended to permit the opening up of new areas for development and not create extra tax burdens for existing home owners.

Bill 20 has moved away from this notion and is very clear on its definition of what costs will be leviable. They all will. That is to say, growth—related net capital costs include those services reasonably attributable to new development.

This concept is a major departure from the original intent of lot levies. We believe that new development should not place greater tax burdens on existing ratepayers, but it should also not be the target of excessive taxes which place homes out of the reach of many people. The term "reasonably attributable" is so broad in its scope that municipalities will be permitted to levy for a myriad of services.

On 13 July 1989, Claudio Polsinelli, parliamentary assistant to the Minister of Municipal Affairs, gave his rationale for that wide range of eligible services. He said it was a tradeoff for the industry supported narrow

definition of capital cost, that is, no inclusion of rolling stock, books, furniture, office equipment, etc.

I think it is fair to say that all parties had been moving towards a fairer compromise than this one. We had a sense that we had reached significant consensus and then looked to the government for the final commitment. But Bill 20 is a substantial departure. Accordingly, this is one of the major concerns which our members have, and I think consumers have, with Bill 20.

Home builders agree that new development should pay its way. It is easy to illustrate the relationship between a new road and a new subdivision. Likewise, the correlation between a new sanitary or storm sewer and 200 new homes is clear. But does a new subdivision create a demand for new public arena or ballpark? Do 100 new homes generate demand for a new library? These are difficult questions and OHBA has given the subject considerable thought. I can tell you, it is going to be very difficult to say that a new recreational facility will not be used by and benefit the overall community. Therefore, the costs should be based on the whole community.

The funding of hospitals is also a serious concern for our members. It evolves from our views about the fairness of paying for schools with lot levies. The budget stated that the legislation would not permit using levies for a municipality's contribution to hospital capital funds. However, at a recent seminar held by OHBA, a Ministry of Municipal Affairs official stated that if a municipality had responsibility for funding health care, he could see no reason why levies could not be used to fund hospital construction. These are conflicting policies and we recommend a clear enunciation of the government's position that hospitals not be leviable.

I sat in a meeting one year ago when a senior Ministry of Education official said lot levies for education facilities were a bad idea. We all know that the Ministry of Education commissioned a study in 1986 on financing new schools which recommended that levies not be used because, "The levy is a highly visible ledger item and can be perceived as a 'grab.' As a technique, the option moves us one step away from the concept of good community planning."

What has changed? We have had high growth before and we financed it. Why not look to our successes then? The government will find that the precedent it has set is nothing more than a slippery slope. If our appearance does anything here today, I hope it will be to recommend that the discussions which take place at the municipal level vis—à—vis calculating service costs and forecasting infrastructure needs be carried out openly and with input from all affected parties. I can assure you that our members will be there to voice the concerns of our industry and of our consumer who will ultimately bear the increased burden of higher housing costs.

We applaud the provisions in the act which will mandate public meetings, accountability through verifiable lot levy accounts, the appeal process to OMB, establishing a schedule of development charges and ability to file complaints with a municipality if a charge has been incorrectly calculated, but we believe that some of these issues can be better addressed.

Subsection 3(3) of the act deals with mandatory provisions of bylaws. It outlines a number of issues, such as designating areas upon which levies will be imposed and designating services for which levies are to be imposed, which must be incorporated. These are issues which our association has long sought to be addressed. The development of structure and justification must be the

focus of any bylaws. Bylaws must emphasize the rationale of what levies are used for.

The appeal process to OMB will become a more significant factor on the question of lot levies. Given that Bill 20 will be new legislation open to a variety of interpretations, the extra workload that will be placed on the board will be tremendous. It is essential that the extra resources be allocated to deal with the number of appeals which will certainly come forth.

1050

If the examples of efforts to improve the rent review system are any example, we need only look at what happened with the backlog there. We recommend avoiding that scenario. This will be especially important since the legislation would permit a municipality to pass a bylaw before the five-year expiry of the existing bylaw.

Given that the five-year time frame was put there to provide greater certainty for all interested parties, we fail to see why the municipality will be encouraged to make changes. And if you give the municipalities this review option, why should the public not be afforded the same access?

We agree with the provisions in the act which will protect developers who have entered into agreements prior to the enactment of the bill. For those who have paid levies under the Planning Act, the credit should be adequate to compensate them—that is, an amount equal to the reasonable cost of providing the services. However, the legislation does not address the fact that many homes today are marketed on a presale basis. In the past, the issuance of the building permit preceded the sale of the home. This is not generally the case today.

Subsection 9(1) provides that no building permit will be issued until the levy has been paid. The purchaser who has negotiated for a fixed price will be severely hurt by the new, unanticipated levy. In fact, many will not be able to make up the shortfall and could possibly be in breach of their contracts. Likewise, a builder who is purchasing lots from a developer and has entered into a fixed price will have this increased burden placed on him if there exists a lot price—plus—levy contract. These costs will ultimately be reflected in the purchase price of the home.

We recommend that any development charges be implemented as of a fixed date so that new home purchasers who have bought their homes prior to construction are protected from the significant levies which could be added.

Thus far, we have not dealt too specifically with the cost implications of this legislation. It was interesting to read the Hansard transcript of the 13 July 1989 appearance of Dan Cowin, economist with the grants and finance policy section of the Ministry of Municipal Affairs. During Mr Cowin's appearance, Mr Haggerty was talking about the site-specific services that developers provide within a subdivision; for example, watermains, storm and sanitary sewers, curbs, roads and lampposts. These services are installed by the developer, generally at his sole expense, and then given by the developer to the municipality. Many people do not understand that.

While admitting these services were over and above the levies, Mr Haggerty acknowledged, as did Mr Cowin, that these costs are borne by the home buyers in the price of their home. Why then is it so difficult to believe that home buyers are now going to have to bear the significant costs of extra lot

levies and educational levies? Mr Haggerty talked about a "double whammy" on affordable housing. He is quite correct.

With respect to the front—end financing provisions of the act, I would have to say that this is perhaps the most positive aspect of the bill. For years the initial developers who financed infrastructure such as water supply systems, storm and sanitary sewers and roads prior to the land being developed for end use received no guarantees that they would be reimbursed by subsequent benefiting owners.

It was up to the best efforts of the municipality to collect funding from these subsequent developers. That will no longer be the case as there is now some responsibility on the part of the municipality to collect those moneys. Municipalities receive benefit from development of their communities and should be required to collect these funds for front—ending developers.

The legislation, however, is permissive and the front-ending arrangements will not be the rule. Some municipalities may view these arrangements as too complicated to administer. This will not be adequate and we recommend that front-ending agreements be linked with the lot levies and be made mandatory.

By the same token, there exists an appeal process for those subsequent owners who may object to the agreement. There has to be an adequate degree of accountability to all parties to ensure uniform compliance.

One final point I might make relates to Mr Polsinelli's comments on 13 July when he said that this legislation may in some instances require municipalities to lower the levies they charge. I am not sure how realistic that statement is, given the reliance that municipalities have placed on lot levies. The intent of this legislation is to give a framework to the use of lot levies. If it does this and has the added benefit of decreasing levies, and therefore decreasing housing costs, then the act will have the effect that Mr Nixon intended it to have. However, I am not confident of that.

I would now like to turn it over to John for some remarks about the education levy component of the bill.

Mr Mansfield: By now, many of you have heard the comments of the industry with respect to the appropriateness of the education lot levy. The fundamental problem which most builders have with the concept of school—purpose lot levies is that of fairness. For that matter, I think many people besides those in the industry do not agree with the idea of singling out one segment of society to pay for a good which benefits us all.

We all agree that there has been a pressing need for increased capital funding for schools, especially in those high-growth areas around Toronto. However, there is a fundamental injustice in making new home buyers—young couples, empty nesters and the like—pay for schools without the opportunity to impact on the decision—making process which will implement those levies.

In the same report prepared for the Minister of Education that Al mentioned regarding funding for new schools, the author stated, "There are no organized groups of home owners who might object because the proposal has its primary application to subdivisions before they are constructed and occupied." An education levy represents the ultimate form of taxation without representation.

These new home buyers will also help existing home owners reap substantial financial windfalls from the value of their homes. Levies will do this by raising the marginal cost of housing, at the very least. And since schools are also deemed to add value to new and existing communities, new home buyers who are now required to fund school construction will also pay to add to the value of existing homes.

There has been a difference of opinion vis- \grave{a} -vis comments expressed by this government and our industry when it comes to the incidence of who will ultimately bear these levies. Tax incidence theory is at the best of times very imprecise. The Treasurer, however, has said that home builders will bear these lot levies. This is an interesting statement, given that the Treasurer has recently stated that the new goods and services levy, as it is applied to new homes, will be borne by the consumer.

Attending today's hearing, I have behind me a number of this province's housing producers. They are here to say, quite correctly, that these levies are simply costs of doing business like any other tax. Like any other tax, they will be passed on to the buyer.

We have heard from the proponents of the education levy that periods of rapid growth are the time when education lot levies will have the greatest relevance, but it is at these times when the incidence of taxation is transferred to the housing consumer anyway. But even in soft housing markets, this tax will have significant negative results. Home builders who find themselves faced with these higher costs will reduce the number of homes produced. And because of increased costs, small home builders may be forced out of the market due to higher risk, thereby decreasing competition and choice for the consumer.

The housing industry tends to be cyclical. This fluctuating level of housing activity has serious implications for the value of using lot levies to fund schools and, more generally, other capital projects.

School boards and municipalities will be required to do their housing forecasts and infrastructure studies based on the premise of a very cyclical source of funding. There is an inherent lack of dependability in using housing as that source. In 1985, housing starts were 48,000 and in 1987 they were 105,000. Next year they are forecast to be 80,000.

Making long-term commitments based on levy financing will be risky and will not make up for the shortfall that the province has precipitated with its freeze of unconditional grants and the reduction in its share of school capital funding. The municipalities have borne the burden of Ontario's shrinking commitments to infrastructure. They know full well that this trend will continue.

These are some of the points on which we base our argument, but turning to the legislation specifically, we note that a school board will be empowered to establish a lot levy bylaw independent of the municipality. Given some of the overlaps in jurisdiction and the issue of coterminous boundaries, I can foresee a great deal of conflict between these parties.

The Association of Municipalities of Ontario, the Municipal Finance Officers Association of Ontario and the Association of Municipal Clerks and Treasurers of Ontario have all indicated their opposition to the education levy. How will it be possible to get consensus on the application of these levies?

This also poses a problem in terms of the differences in child generation rates and the demands of new housing which exist in geographic regions but which will be encompassed by one levy. A recent study for the Ontario Home Builders' Association illustrated this point in Victoria county. What if a major new development for seniors is being planned in the same region as some other subdivision? Surely seniors will place little upward pressure for a new school, but they will be caught by the same levy and clear funding inequities will result.

I, too, had the opportunity to review the Hansard transcripts of earlier hearings. On 20 July 1989, Ministry of Education officials appeared before the committee. Mr McCague raised the issue of applying levies for both elementary and secondary school construction. Secondary schools serve a much more broadly based geographic area and therefore it would be difficult to attribute levies to funding them. This differentiation is one more reason levies are an inappropriate means to fund school construction. Other more equitable means can be identified, and I will get to them shortly.

The legislation also deals with eligible education capital costs and includes the construction, expansion, alteration or improvement of school facilities. While I understand that renovation of existing schools is not contemplated, what assurances are in place to prevent it? I think a clarification of this point would be useful.

1100

One of the increasing concerns raised by school boards is the repair of the deteriorating school stock. Their needs are important and must be addressed. Simply stating, as the government has, that it is giving school boards the option to extract levies from new development and thereby free up access to the province's \$300 million in capital funding is shirking the issue of its responsibility to finance the education system. The new home buyer once again becomes an easy answer to a long-term dilemma.

As I understand it, the present Ministry of Education guidelines require that a significant portion of new pupils must be in place before the ministry will approve school projects. As the legislation stands right now, the collection of levy amounts will go into an account to be drawn upon once the school board has received the approval to go ahead. I think it is interesting to note that should demand for a new school not materialize, there are no provisions for the return of the levy funds to the home buyers. In essence, the new home buyer would be forced to pay for a good he has not received. We recommend that there be provisions for the return of these excess funds.

Even more unjust would be the situation, also permitted under the legislation, where a school board decides to expand a school in an existing neighbourhood rather than build a new one in a new development but transfer the cost of the expansion to the new home buyer. Only the new home buyer pays but all ratepayers benefit. Those subdivisions below the threshold size for providing a new school would make this strategy appealing for the school board. How is this fair? We recommend that the legislation be tightened up to prevent this possibility.

These scenarios are made all the more difficult to accept, given the fact that there exists vacant space in the school system because of declining enrolments and demographic changes. Underutilized school sites sit empty across the province. It is relatively easy to drive around most municipalities and identify old schools which are no longer in use. A new approach should

take advantage of these sites. Why not sell these schools so that they can be converted to other, more productive uses? At the same time, the funds generated by the sale could be targeted towards constructing schools in high-growth areas.

The reason why this approach has not been adopted is that the money does not go to the school board, but rather to the province. What incentive is there, therefore, for the school board to part with its asset when it will not see the return? We recommend that this method of determining funding end so that school boards have an incentive to be more efficient with their resources.

I would like to conclude our presentation by noting that the Treasurer's green paper had requested that interest groups put forward innovative ideas for the financing of school construction. We have tried to do that. We have proposed the idea of leaseback schemes. We have promoted specific discussions between developers and school boards to look further into the concept.

The idea of a developer retaining the land and building the school for the school board has merit. Leasing the school to the local board and then taking back ownership once its life is over maximizes the resources of all parties.

There is a complexity of issues involved. They include the cost of the land, whether it be market value, the rent which would be charged, the economic implications for operating costs, lifespan of the school and alternative uses once the school is at the end of its life cycle. These issues can all be dealt with within the framework of specific agreements and dialogue.

Alternatively, the concept of specific long-term debt financing which could be amortized over the life of the community needs further study. The method of raising funds through bonds to finance schools and other infrastructure, and which can be serviced by specific taxpayer groups, as in neighbourhood improvement charges, should be explored.

We are not advocating fiscal or budgetary irresponsibility on the part of the municipalities and the province, but there is a difference between using debt to finance general government spending and using debt to finance growth and infrastructure. As housing economist Frank Clayton points out, municipalities can borrow an additional \$7.9 billion and still remain within the guidelines of the Ontario Municipal Board for ability to take on increased debt. It is not a negative to take on long-term debt to finance capital works and promulgate growth. Growth encourages economic expansion. It attracts workers and creates employment. It means increased municipal revenues.

Ideas such as these and the leaseback scheme need to be more fully explored before we push on with what appears to be such a flawed concept. For this reason, we recommend a task force be set up with representation from industry, the municipalities, local school boards and the province to explore alternatives. Economic models must be developed which examine the costs associated with these financing schemes. These will assist in identifying the best route to finance growth.

Finally, I would like to thank the members of the committee for giving us this opportunity to address you this morning. We view this as an issue of great importance to ourselves and to our consumers. If you have any questions, Al and I will be pleased to answer them.

The Chairman: Thank you very much, gentlemen. You have raised a

number of points the chair had not considered before, some of which are a little arguable but some of which sounded very valid, at least on first reading. Mr Jackson, Mr Pelissero and Mr Mackenzie have questions and we will allow approximately 10 minutes.

Mr Jackson: I have a short series of questions. On page 21, when you talk about the new goods and services tax, I guess basically you are saying Bob Nixon is being a hypocrite about this legislation. Is that correct?

Mr Mansfield: I am suggesting that Mr Nixon is suggesting trying to travel in two different directions at the same time.

Mr Jackson: That is a hypocrite in Funk and Wagnall's. And would David Peterson be talking out of both sides of his mouth when he says it should not be hidden the way it is, when in fact he has a lot levy system he is promoting in this province that does essentially the same thing?

<u>Mr Mansfield</u>: The comments may well be valid. We would like to emphasize that our point simply is that the costs of a levy will indeed be passed on to the consumer and that any attempt by anybody in the government to suggest otherwise is foolhardy, in our opinion.

Mr Jackson: Could I raise a question with you about the reaction you have had to the idea of leasebacks. It strikes me that currently, down the hall in this building, the government is undertaking a series of hearings that I was on over the last three weeks dealing with Bill 147, the Independent Health Facilities Act.

It strikes me that a model is being explored to take capital costs for hospitals, which are solely borne by the taxpayer, and then move that into independent facilities, where the risk and financing are spread out and absorbed by individuals. It strikes me there would be a strong parallel here with schools, yet the government seems reluctant to pursue one avenue and is promoting actively the other avenue in the best interests of the taxpayers of this province. Do you not consider that to be sort of saying that it is fair for hospitals but not fair for schools?

Mr Mansfield: I would like to comment on a matter of process there. At the outset of the consultation with respect to what has become the Development Charges Act, we were asked to participate in more than one form of consultation to try to develop different ways of financing municipal infrastructure and schools. We have put forward a number of suggestions in this area.

However, it seems that by the time we were asked, the basic contents of the Development Charges Act had been drafted and it was going to go ahead, no matter what the consultation process turned up. We kind of feel that we were asked to come into a room to give our opinion, but nobody really cared.

Mr Jackson: If time permits, I still have one or two more.

The Chairman: All right; if it does.

Mr Pelissero: That was a very comprehensive presentation this morning. I have one point and then a couple of questions. I think we are going to hear over the next week or so with respect to the educational portion of this piece of legislation. I would like to keep in context that education is a lifelong experience, whether for seniors or childless couples, and given the

current retraining we may have to go through—in some individuals' lifetimes as much as two or three times, or in some cases four times—the capital projects will house the requirements for those training facilities. So if we can look at education beyond what I would call primary or secondary ages, I think we may be looking in a better direction.

Does the Ontario Home Builders' Association have any information or facts as to the proximity of a house to an educational institution, the impact that it has on the selling price of the house by someone selling or the asking price by the developer?

Mr Mansfield: Categorically, no, we do not have that information.

<u>Mr Pelissero</u>: Would it be fair to say that someone who is selling or who is a developer building houses close to an educational facility may be able to obtain more because of the proximity to the school, in terms of real estate? If you do not know, we can try to seek the information from the Ontario Real Estate Association.

 $\underline{\text{Mr Sant}}\colon I$ do not know that you could translate it into dollars and cents, but I think if the school were in the immediate locality, it would probably be an easier sale.

Mr Pelissero: Probably more attractive.

Mr Sant: Definitely more attractive.

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Mr Mackenzie: The brief invites a number of interesting questions, but I want to stay with just one. Similar to the previous presentation, is the issue here really not one of fairness, one that a small specific group, not necessarily with any more ability to pay than many others, is going to be charged with the costs, rather than something like education being a cost that should be borne by all of us? Is that not really what is at stake?

Mr Mansfield: That really is the issue. I think Mr Howe made numerous comments on this and you can think of all kinds of examples all day long of the young family that goes from an apartment in an older building to perhaps another apartment or a town house and purchases a home after another home and so on, until they finally arrive at a house where they say, "This is our dream house and this is where we are going to be," and all the time that they have been purchasing all these homes, they always buy resales. You have to remember that the resale market numerically is astronomical compared to the new home sales market. People can go through life with their families, put their kids through school and never purchase a new home, never ever do it, which really means that somebody else is carrying the burden.

Mr Mackenzie: Or you could have one young couple and the new subdivision goes in right next door to them. They bought it this year. Somebody in the new subdivision buys the home next year and is going to pay the extra cost, yet both families will be using the same services.

Mr Sant: We have some research that suggests the pupil load peaks when the housing is between 10 and 15 years of age. It is substantially higher than in new housing. Then there is another peak when you reach about the 75-year stage. Interestingly enough, apartments are a very flat rate and it is

extremely low. Traditionally, people thought the lower-income units would generate more pupil demand, but that is not the case.

Mr Mackenzie: The alternative suggestions that follow the various groups may be important, because obviously we are looking at a bill presently that is just simply unfair and it is obvious that it is unfair.

 $\underline{ \mbox{The Chairman: I will take one-sentence questions from each of Mr} \\ \mbox{McCague, Mr Ferraro and Mr Morin-Strom and one-sentence answers.}$

Mr Ferraro: On a point of order, Mr Chairman: In that we started late and in that this is a large organization, I wonder whether the committee would agree that we could prolong the question period by 10 minutes.

The Chairman: If the committee agrees. I know the other presenters are here, but if there are no problems with our running a little late, we will give everybody at least half an hour. Will do, then. Okay, we can spend a little more time.

Mr Ferraro: Thank you.

Mr McCague: The London Home Builders' Association suggested that one of the alternatives was to increase the land transfer tax. You do not comment on that.

Mr Mansfield: We commented on it initially directly with the Treasurer. We commented on it and actually made a formal proposal to the interparliamentary committee prior to tabling of the Development Charges Act, and while no organization such as ours, no business group, likes to suggest to the government a means by which it could be taxed, we did put this forward as a fairer form of taxation. We simply said that if the real estate and development industry is going to be looked to to provide revenue for specific areas, that would be a much fairer way to do it, because it crosses all types of real estate transactions.

Mr Ferraro: I would like to thank the gentlemen for their presentation and ask them two questions.

The first question is in relation to the inequity and concern being expressed by the home builders, which I appreciate, about these charges being passed on to the consumer. I would ask the question, I guess in the general term—I am no economics major—but surely the competitive nature of that particular environment or municipality will have a bearing to some degree as to whether or not that extra levy will be borne either by the land developer or the builder and subsequently picked up by the consumer, in the same respect as when you have a very heated and hot market, which we have all seen, particularly in the Toronto area, whereby a builder will list the house for \$200,000 on Monday, they are lined up to buy the house, and all of a sudden on Thursday that same house has gone up \$20,000 or \$30,000.

Surely the same logic then would apply as to whether or not the lot levy will be passed on inevitably to the consumer, just as whether or not the same price will be charged from one day to the next. Would that not be fair?

Mr Sant: If you are basing your justification for this levy on, I will not say an unreal situation because it is a very real situation that we experienced in the last two years, but it is very short-term and cyclical and

is basically the result of a shortage of supply—to justify the inclusion of such a major levy on that basis does not—

<u>Mr Ferraro</u>: I am not trying to justify it on that basis. All I am trying to say is that the environment, the competitive nature of the housing industry in a specific city will have a bearing on how much the consumer pays, whether it is a result of lot levies or simply supply and demand vis- \grave{a} -vis a very heated market, such as in Toronto.

Mr Mansfield: That is absolutely correct. We have all seen supply and demand curves, but let me just toss something else into the air. If the price of plywood goes up or if the price of plywood goes down, which quite frequently happens, that will be reflected in the price of the home. If the price of plywood goes down in a very hot market, probably the price of the home will not go down. If the price of plywood goes up in a very hot market, the price of the home will most definitely go up with the price of the plywood and so on and so forth.

One thing is that levies are sure not going to go down, no matter what the condition of the market. Second, the levy most definitely adds to the cost of the home, and if it adds to the cost, it is going to add to the price. There is no escaping that.

We all know the environment here. It might sound good politically to say, "The developer is going to pay it," because we as an industry know what we look like out there in the public; there is no doubt about it. The average builder in Ontario, contrary to popular belief, is not a fat cat with money pouring out of his pockets. They are small businessmen who build three, four, five, eight, 10 homes a year. A great many builders basically make a good wage and that is about it. There is no possible way in the world that builders' margins in Ontario, on any basis at all and most particularly on a long-term basis, can sustain this kind of incremental cost. It is just not going to happen. It will be passed on in the price.

Mr Ferraro: Just to use your example, if I may, for the plywood, according to Mr Wilson the goods and services tax will result in a reduction of 13.5 per cent and nine per cent, respectively, on products. I am sure the home builders fully believe that the manufacturers raw materials will reduce that and be able to pass it on cheaper, and then, I suggest to Mr Jackson, we will see if Mr Wilson is talking out of both sides of his mouth.

My question, Mr Sant, is with regard to a statement in your brief on page 13, where you talk about homes being sold on a presale basis and the concern being expressed when and if a municipality has an educational lot levy imposition. I am a little concerned and maybe you can clarify this for me. I was under the impression that if I were to buy a new home from a builder, I would have a fixed price, and that the lot levies and any other incidentals are to be incurred by either the land developer or the builder in that particular case. The other alternative scenario is where I own the land and I am going to subcontract it out, in which case I am aware that I have certain lot levies. Is there something I am missing? I am a little confused as to what you are stating here.

 $\underline{\text{Mr Sant}}\colon$ There could be another scenario where, by agreement, you could include the lot levy payment as a closing adjustment.

Mr Ferraro: Two questions then, finally: What percentage of builders' sales would have that scenario, or indeed if it is a very small

percentage, as I suspect, would it not at the very least make the prospective purchaser aware of the incidental costs? Subsequently, I am still a little confused as to your statement.

Mr Sant: I think generally speaking now, it is included in the price because it has been fairly consistent, but with the volatility we see before us, I think a prudent builder would indeed make a move to include that as a closing adjustment.

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The Chairman: That was a good series of questions. Mr Morin-Strom, are you going to ask why the price of a house cannot come down with the price of---

Mr Morin-Strom: I want to ask about the example of a new development where one side of the street has been built just before the lot levies are imposed and the other side of the street gets built just after the lot levies are imposed. You are saying that the cost on the newer side of the street, which may be the same house, is going to have to include the cost of the lot levy, and if that lot levy is \$10,000, it is going to adjust up by \$10,000. In the resale market, when a buyer is looking at buying on one side of the street or the other, how is that going to be reflected? Is the buyer essentially going to pay an additional \$10,000 for the houses on both sides of the street, and effectively pay that additional cost whether in fact it was incurred or not? Will that become a cost for all housing development, whether it occurs after this lot levy or not?

 $\underline{\text{Mr Mansfield}}\colon A$ \$10,000 windfall not to be taxed as income, not to be taxed with goods and services tax and not to be taxed with a levy for the vendor of the existing home.

 $\underline{\mathsf{Mr\ Morin-Strom}}\colon \mathsf{So\ the\ buyers\ who\ just\ got\ in\ under\ the\ wire\ with\ their\ homes\cdots-}$

Mr Mansfield: Lucky guys.

 $\underline{\text{Mr Morin-Strom}}$: —may well get a windfall and those trying to get into the market may have a price to pay whether this lot levy is a real cost or not.

 $\underline{\text{Mr Mansfield}}\colon \text{I think any economist would verify that that indeed}$ will be the result of this new tax.

The Chairman: Thank you very much. Gentlemen-

Mr Jackson: Is there room for an extra question on that?

The Chairman: All right. Quickly.

<u>Mr Jackson</u>: The question I had was triggered by Mr Pelissero and it has to do with your point on page 24 about the breadth of expansion that our educational system could demand for increased capital needs. Mr Pelissero's words were that this is a positive thing to pay for this lifelong learning. We now have a move afoot where the Minister of Education also be the Minister of Colleges and Universities. We now have three-year-olds going into our

elementary schools. We are adding two grades mandatorily. Space needs a 20 per increase.

We also see that community college programs that are provided for secondary schools could be shifted on to the local mill rates since community colleges are at the moment, like hospitals, paid for entirely by the province through general taxes. Therefore, we could see not only a ratchetting up of the current situation, but an expansion of these educational services.

It is almost limitless from age three to, as Mr Pelissero says, lifelong learning. We could be talking about billions of dollars of additional capital revenues that the government can foresee getting through lot levies to help pay for colleges and day care. Have you any comment on that?

Mr Mansfield: All those points are certainly good points. We continually look at all our social services today with the idea of expanding them, with how better we can serve the population with an ever-increasing demand for services. Certainly the educational system is a system that is in place with physical plant and so on to provide certain services. Obviously, there are a great many services—day care and so on and so forth—that can be provided through the school system.

What really is being illustrated here is the fact that it is an open chequebook. However, it is not really an open chequebook because if the abuses, and I am going to use the word "abuses" here, ever really got out of hand to that degree, you would simply see the building and development industry start to grind to a halt. It becomes a noneconomically feasible environment in which to operate. I think that is something of fairly considerable concern.

I just want to make one very brief point on that, if I may. There was an earlier comment during Mr Howe's questioning. As a development industry and builders of homes, we do not create this growth that happens. The growth happens and then we build. We do not create the growth. We respond to it. Trying to look at growth from the standpoint of making payments for services in sort of a punitive sense is not the way, I think, that we want this province to continue to operate. I really do not.

The Chairman: Mr Mansfield, there is an article in the Hamilton Spectator, 6 June, which indicates that your association has already served notice that the first school board to charge a levy will be challenged in court under the Charter of Rights antidiscrimination clause. I do not want to get into that, we do not have time, but could you just answer yes or no? Is that correct? If it is, would you be prepared to give this committee a legal brief that you might have available with regard to that?

Mr Mansfield: I have not seen the article and I cannot comment on the context. Very briefly, we are considering a constitutional challenge, a challenge to the constitutionality of Bill 20, and we are currently in the process of being advised with respect to that challenge. If there were to be a brief available for the committee, which I can tell you right now there is not, we would certainly freely offer it.

The Chairman: Could you undertake to keep us informed of that?

Mr Mansfield: Yes.

 $\underline{\text{The Chairman}}\colon \text{Thank you very much and thank you very much for your presentation}.$

Mr Jackson: Would they have access to the province's legal briefings—

The Chairman: Not necessarily, Mr Jackson.

Mr Jackson: I did not think so.

The Chairman: The committee does not need it, Mr Jackson.

Mr Jackson: Since you are a learned bencher yourself, I thought-

The Chairman: The committee has tried to get access to the province's legal briefings from time to time and has been denied it. Maybe we will hear the other side first. Thank you.

Mr Mansfield: Thank you very much.

The Chairman: We now have with us the Ontario Hospital Association, an organization with which this committee is quite familiar. Dennis Tuck, the chairman of the board, and Hilary Short, general manager of public relations—no, I am sorry.

Interjection: Gordon Cunningham.

The Chairman: Gordon Cunningham, yes, of course. Welcome, gentlemen. Your brief is in front of the members of the committee. Make yourselves comfortable and perhaps you could lead us through it.

ONTARIO HOSPITAL ASSOCIATION

Dr Tuck: My name is Dennis Tuck. I am the-

<u>The Chairman</u>: Perhaps you could identify yourselves for purposes of Hansard.

<u>Dr Tuck</u>: Yes, I will try to do that. My name is Dennis Tuck. I am the chairman of the Ontario Hospital Association. I am accompanied this morning by Gordon Cunningham, who is our president and chief executive officer.

To put this matter in context, the Ontario Hospital Association is a voluntary organization of some 225 public hospitals within the province and over 100 other health care agencies who choose to join together because of the services which we offer. Some of those services are within the hospital. The other service we offer is that of briefs and statements to your committee and the like on behalf of hospitals, and it is in that context that we are here this morning.

Our concern with Bill 20 is a rather narrow one, but nevertheless one which we believe is crucially important to the hospitals and it concerns the proposed draft regulations which says under section 7, "A municipality shall not impose development charges with respect to services provided to a health care facility" and it lists the various schedules which describe health care facilities. In other words, this is an attempt by the government to prevent local municipalities from funding hospital building in a way which has been traditional in many areas of the province. We would like to offer you three points as the basis for our concerns.

First, as we say beginning on page 2 of our brief, hospital capital

funding is surely a community responsibility. The community and the hospital live together in a symbiotic relationship, each serving the other, and under the Public Hospitals Act the provision of capital funds for hospitals is both a government and a community responsibility shared in most areas of the province on a two-to-one basis. If the hospital or the community can raise one third of the total cost, the government may under certain circumstances provide the other two thirds. In other words, this existing way of funding hospital growth points directly to the involvement of the community and the local government in that operation.

We point out on page 3 that hospitals themselves are responsible for generating capital revenue, and they are supposed to do that by saving as it were from their own running costs. Nevertheless, while that might be true in theory, it is extremely difficult in practice as present financial needs will show, but even if it were an easier matter than it is, it would still be true that the new hospital in a new area has no such generated revenues to draw upon. We are concerned that there should be an attempt to remove something which so far has worked.

We believe, as we say in the second point of our brief, on pages 4, 5 and 6, that the municipal government is a most appropriate body to determine how a major fraction of the money should be raised to meet the community goals in hospital—building. We point out that hospitals have been the beneficiaries of funds from municipal government, that municipal governments have extended something like \$22 million in the year 1987—88 to support hospitals, most of it for capital purposes. In recognition of the importance of municipalities to hospitals, many hospital boards have official municipal representation.

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Just to emphasize that this concern is not a theoretical one, we draw attention to something which is already taking place in the regional municipality of Peel. On page 5, we have a quotation from a document, which is given in full at the back of our brief, in which the recommendation from the treasurer and commissioner of finance in Peel is that the municipality should withdraw its tentative support, which was funded to the extent of some \$50 million over the next three years. In view of the province's stated aim in this bill, to prevent the lot levies being used in that way, Peel should withdraw.

We regard this as making a legislative necessity of something which, in the past, has been the option of municipalities; namely, whether they could or could not fund hospital growth. While I appreciate the problems that all municipalities will have with funding, as all levels of government have, to say in advance that a municipality should not under any circumstances use lot levies to fund new hospitals strikes us as both unnecessary and regressive.

Finally, we point out, on page 7, that the stated purpose is to ensure that municipalities can impose development charges to cover some of the capital costs of services required to support new growth. It is our contention that hospital-building is indeed part of the new growth of any community and we regard it as illogical to separate hospitals on the one hand from education and other social services on the other. Hospitals are a vital part of any community in this province. We have been fortunate that we have not had the closing of hospitals, which has happened elsewhere, particularly in the United States. But the experience in the United States is that when hospitals are not provided the community suffers.

We believe that this bill, whatever its function may be in other areas, has one most unfortunate aspect, one that will legislate municipalities, which in the past have played a very vital role, out of hospital funding. Our recommendation, on page 8, is brief and, we hope, to the point, that the regulations under the Development Charges Act should not prohibit the municipal use of development charges for hospital capital funding.

I would be happy to answer any questions there might be on that brief.

The Chairman: Indeed, that is very straightforward.

Mr McCaque: I can understand your disappointment in not being included in the groups in this proposed legislation that might benefit from it. But by the same token, it is hard to understand how you might have levies that really got money out of the community that you talk about as the beneficiary of the hospital. I come from Simcoe county where the funding comes from, in some part, the county, which is representative of all. But, for instance, if you went to Alliston, where I live, and tried to collect from the community, which is maybe four urban municipalities and eight townships, it is very difficult to know how you would set that up in any fair sort of manner. I do not know whether you have any comments on that as distinct from Peel, Metro Toronto or whatever.

<u>Dr Tuck</u>: I am not familiar with the area of the province to which you refer, but I can take it in terms of my own city of Windsor. There are, I suspect, very few lots to be developed within the city of Windsor itself. So when the hospitals approach the city council, as they have done for help with capital funding, it is clearly something that comes out of the normal mill rate. But what we are addressing here is that in those areas of the province where there is rapid development taking place, where lots are available and where lot levies, according to this bill, will be raised, we are concerned that hospitals should be excluded by legislation from a share of that funding.

Mr McCaque: Mr Cunningham has not always been in built up areas of the province and would understand what I am saying when I say that I see a very great difficulty. It is difficult to get development other than severances in the rural parts, and if the urban part wants some more lots, it usually annexes them from the rural part and then you would grab them. But I think there is a great difficulty in my part of the province in making what you are suggesting work. Mr Cunningham may wish to comment.

Mr Cunningham: My response would be that we are not attempting here to suggest that it should be mandatory, we are suggesting that we should not be restricted from being included in the lot levy. It might not have happened in Alliston. We are suggesting here that there are 15 different methods that are used at the present time for capital collection. Sometimes it is because the surrounding townships work with one municipality; sometimes it is entirely voluntary. There are 15 different systems in use in different areas. We are suggesting that continue but that we not be excluded from the lot levy.

Mr McCague: There is a difficulty, because the counties will now levy for hospital costs in a different way. There is a mechanism there by which you can get money into the hospital's hands for capital construction.

Mr Cunningham: I agree with that and I agree what we are asking is that both systems be continued: that we be able to receive money from the mill rate and that we not be excluded from the levies. We are particularly concerned about those areas of rapid growth.

<u>Mr Ferraro</u>: I think I understand the gentleman's concern, but from a personal standpoint, it would appear to me that in a municipality—and I will take Guelph, my riding, for example—the propensity for extra funding or taxation, if you will, for a hospital to me would be understood and much more acceptable, if I can use those words, for hospital capital costs from such things as they still have and have employed, as you very well know, such as tax surcharges or increases in the mill rate.

I guess where I am having some difficulty is the concern being expressed by the hospital association that new subdivisions and the propensity for school boards to charge a levy would necessarily take away from capital resources for hospitals.

<u>Dr Tuck</u>: The concern is that the regulations under this bill will exclude a municipality from spending the money, or part of the money raised on lot levies, on the building of a hospital. At the moment, the situation is that the municipality has a choice. They may take the lot levy money in and then divide it up as they see fit, and they might see fit to spend some of that on building a new hospital. The regulations which are proposed would prevent that and we say that is illogical.

Mr Ferraro: I will finish with this, Mr Chairman. Dr Tuck, would the present legislation not be somewhat hypothetical in that municipalities that have, as I understand it, charged lot levies and used them for soft and hard services are not necessarily prohibited by the existing legislation but they are not allowed? In other words, the point, or at least the argument that has been made to me personally, is that it is hypothetical whether or not those charges could be used for projects other than hard services, so that indeed your argument is somewhat shaky at best.

<u>Dr Tuck</u>: I do not think so. If you take the example of Peel that we have suggested, they were proposing to spend the money and they are now saying that they will be prohibited from doing so and therefore they are, as it were, washing their hands of their concern for hospital construction cost and saying that if the province is going to look after it, so be it. One can understand the municipality taking that attitude, I think; if the province wishes to pick up the tab, so be it.

Mr Mackenzie: I can understand your argument. If you are going to let them raise money this way for schools, why not hospitals? But let me go back to the question I asked the other groups. Do you support this particular approach or do you see the unfairness of targeting a specific group, not necessarily with any relationship to its ability to pay, which this legislation does, to pay more than others are going to pay, maybe in the same area or the same neighbourhoods or what have you?

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<u>Dr Tuck</u>: I do not think it would be part of our mandate to argue on the rights or wrongs of this particular way of raising funds. What we are saying is that if funds are to be raised in this way, we think it is wrong to exclude hospitals.

Mr Mackenzie: The question is, what is the next group then that is going to say, "We also should have a piece of the action"?

Mr Jackson: We have got highways, day care—I have got a growing list here. $\underline{\text{Dr Tuck}}\colon \mathsf{That}$ is why you are legislators and we are just hospital people.

Mr Haggerty: I was following Mr McCague's comments. In the past county government has funded hospitals in a number of communities in the Niagara region. They even go beyond the boundaries, but normally the process that was done then, and I guess it must be permitted under the Municipal Act, was that you could give grants towards a capital project. For two or three years they could set it aside. It has worked out very well. Also, they used to make an assessment within the county on a per diem usage of the hospital from one community to another. It used to assess that way and grants would continue.

I think it still does yet within the Niagara region. It is a good program, and my colleague here, as a former county council member, will probably concur with my comments in this particular area. It has worked out very well. It may not work that well within the boundaries of Windsor, I do not know. Normally county council members have always taken that into consideration and treated the hospitals very well.

Dr Tuck: Indeed. No, the Windsor hospitals have been supported well, both by the city and by the county, because they serve that total community. That is not our concern. We accept and hope that it will continue to be the case, that a municipality, whether it be city or county, can raise funds to help hospitals from its tax base. We are addressing the rather narrow issue of this particular way of raising funds through the lot levies and objecting to a regulation which would exclude hospitals from access to that particular package of funding, whereas educational establishments and the like will continue to have access. We do not think a community should be encouraged to put hospitals on one side and say, "Those are not our concern," which this legislation would seem to imply.

Mr Haggerty: But you may have the growth of one particular municipality and it may be pretty hard for the local government to make a decision. Of course, under the bill it says they may, not that they shall, enter into an agreement.

<u>Dr Tuck</u>: As we say in our executive summary, the draft regulation reads that, "A municipality shall not impose development charges with respect to services provided to a health care facility," and the definitions as they are set out here would include a hospital.

 $\underline{\text{Mr Haggerty}}\colon \text{Health care facilities can cover a very broad area right now under this act.}$

 $\underline{\text{Dr Tuck}}\colon \text{Oh yes, but if you read the particular schedules that the regulations refer to, that would include a public hospital.}$

 ${\tt Mr\ Jackson}\colon {\tt Dr\ Tuck},\ {\tt I\ enjoyed\ your\ presentation\ last\ week\ on}$ independent health facilities and prior to your brief I did make a reference to a parallel argument.

However, I do want to come to this point about whether or not hospitals should be eligible under the Development Charges Act. I for one do not think they should, one reason being the Peel example. I think part of the Peel situation you cite has also something to do with the fact that there was some anticipated capital expansion to occur for several hospitals in Peel region. Those projects now are back in a tentative position, and in some instances have been cancelled.

I think part of the concern within the community is that had we had the development charges assessed, we could then therefore proceed with the hospital expansion. I know this is the case in Peel, as it is the case in Halton region and with dozens of hospitals across this province which two years ago were told they would get 4,000 additional beds and now have been told they may not, in all likelihood, get them at all.

My point is there is a distinction. A school board is mandated in this province to educate each and every child who walks through the door. That is the law. But health care is not as accessible in Ontario. It is controlled through its expenses in terms of hospital expansion. It strikes me that the government has to be very careful to allow for a mechanism which would allow capital to be raised to expand hospitals, when in fact the government does not want the hospitals to expand.

I think you know what I am getting at. It is not the cost of building the hospital; it is the fact that the bed generates \$700,000, or whatever the going rate is, in annual cost to the Ontario health insurance plan, the billables. Government is keeping a cap on its expenditures by controlling hospital expansion. They cannot do that with schools, because a child has to be educated, but we can have a waiting list of a year and a half for a hip replacement or 500 on a waiting list in the city of Burlington for a chronic care bed.

I would like you to address that notion that there is clearly a distinction, because the government controls the number of hospital beds and therefore health care costs, but it cannot control the number of school places; they have to be produced. We have portables, we have any number of arrangements. There is a distinction there. Could you comment on that?

<u>Dr Tuck</u>: I think the distinction you make is a fair one. Nevertheless, the problem this proposed legislation would address would be if a discussion arose between a municipality and the provincial government as to the desirability of building a hospital. As the situation has stood in the past, a municipality could have raised its share of the funds through the lot levies, and this would have given it some strength in the argument; having the money to build is, after all, a fairly powerful hand to play from.

Mr Jackson: It does not work. I raised that with you last week in the case in Burlington. We have \$14 million we have raised through—It does not have to be a lot levy, as long as we raise the money. We have it through the foundations legislation. We have raised the money. Now the government has said: "Sorry. Two years ago, we told you we'd let you build 180 beds. Now we're telling you that you can't."

I guess I am putting a fine point on that point. It does not strengthen your hand. If the government has to keep health care costs at 33 1/3 per cent of the total budget—period, end of sentence—hospitals are getting caught in that. One of the ventures is the use of Bill 147. Another is to keep a cap on expansion. I think the government might not want to invite another way in which large sums of moneys are being raised but then cannot be spent. And you would want those moneys spent. The last thing we want is kids in portables and have all this money sitting in a bank account with the government stating, "You can't build the school."

I see a scenario in hospitals where you have, through these lot levies, home owners now paying a higher increase on their mortgages to pay for their lot levy increase. It is sitting in a reserve fund, just as this bill implies,

and yet the government says, as it does in this legislation, "Sorry, you can't expand." With schools, they cannot get away with it; in hospitals they can. That is the only point I am trying to get at.

<u>Dr Tuck</u>: It may be that having the money is not necessarily the strongest hand one would like to play with, but not having any money at all is a good deal weaker.

 ${\tt Mr\ Jackson}\colon$ I appreciate your letting me pursue that line of questioning, ${\tt Mr\ Chairman}$.

The Chairman: I think it was a valid line.

Thank you very much, gentlemen. It was a very interesting presentation, very valid and very helpful to us. Thank you for coming.

The clerk has suggested that I remind the committee that the clock we are looking at is central standard time, Kenora and Rainy River ridings.

OTTAWA-CARLETON HOME BUILDERS' ASSOCIATION

The Chairman: We have with us next the Ottawa-Carleton Home Builders' Association, Michael Noonan. Welcome to the committee. We have had your brief for a while now. Members of the committee, it is in this folder you were asked to bring with you. Hopefully the committee has had a chance to look at it. Perhaps you could lead us through it, though.

Mr Noonan: What I would like to do today is to provide you the Ottawa-Carleton perspective with respect to Bill 20 and the situation with respect to development charges which are enacted and currently charged throughout our region.

The Ottawa-Carleton Home Builders' Association currently has a membership in excess of 350 firms and these firms represent all facets of the building industry, not necessarily builders and developers, but also suppliers and associated firms, be they surveyors, lawyers, etc.

As an opening statement, I would like to say that the Ottawa-Carleton Home Builders' Association does not necessarily agree with the whole notion of the imposition of development charges, but at the same time we do recognize the reality of the situation and the reality of Bill 20. Given that, we feel we have to recognize that Bill 20 and the legislation will be an eventuality.

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We do agree and wholeheartedly support the accountability and structure which is being proposed and suggested by Bill 20. We hope that when it is enacted and when it is proclaimed Bill 20 will bring a measure of structure and a measure of fairness to a municipal process which previously was characterized by a number of abuses and unfair treatment by municipalities.

For example, we sensed throughout Ottawa-Carleton that lot levies at the local level—we have a two-tier government situation—were being imposed not so much on the basis of a justified series of charges but upon what the market could bear and also upon what adjacent municipalities were charging. We found a situation where, across the entire region, we had a development charge at the local level in the range of \$2,500 to \$3,000.

When we asked the local municipalities to justify this situation, we were told quite clearly, "We don't have that information" or "It's none of your business, period." That was the situation we faced time and time again.

We hope Bill 20 will eliminate it, but in the face of Bill 20 being introduced as part of the budget in May, I believe, and I think it has been given second reading, we are quite frankly surprised by municipalities in the region continuing to operate blind to the requirements of Bill 20. You would think they would tailor their actions to the intended legislation, but this is not the case.

At a recent meeting we had with the regional municipality to talk about its \$7,000 lot levy for single-family development and in particular the wish list, we were told quite clearly by the regional treasurer that the wish list does not necessarily represent those items which will be paid for out of regional development charges and there may be others which will be introduced and paid for out of the fund.

With statements like that we have to question the whole bona fides of local government in terms of providing a definitive statement as to what will be levied and what will be paid for out of lot levies.

Another situation which we have recently encountered is taking place in the city of Kanata. The city of Kanata has looked at the situation and the relationship between the local level and the regional level and has decided to introduce something called the transportation linkages levy. This levy is intended to cover regional works which the local level feels the region will not construct for them. The regional municipality has said quite clearly, "It is still our responsibility and our intention to build these facilities." Yet the city of Kanata has imposed a levy which has, essentially, doubled the local levy. The mayor at a council meeting recognized the fact that, yes, the city of Kanata was double—charging and it was not going to do anything about it.

Looking at the proposed bill itself, we note that growth—related net capital costs also include the ability to finance land acquisitions. We have some difficulty with that situation, in particular with municipalities acquiring land for the promotion of industrial parks.

In our municipality and among our memberships, a number of our members are in the business of developing industrial parks. We question whether it is fair and equitable to use lot levy funds to acquire industrial land which will be brought on market, in essence to compete with the land and activities of our industry. It seems to be an unnecessary duplication and it is something the municipalities should not necessarily get in the market of.

The other point we would like to raise is that lot levies are often imposed upon a set of development standards which do not bear any real resemblance to the typical standards imposed throughout the municipality.

For example, you may find throughout a municipality, be it the city of Nepean, the city of Gloucester or wherever, that the municipality has imposed development standards that are different on three or four different occasions and, as time goes on, we find that the development standards being imposed on new development are to a much higher order than that imposed on the earlier forms of development.

We believe that, in many cases, the municipalities are attempting to

gold-plate the development standards, requiring the development industry to build something which the rest of the population currently does not enjoy, or, alternatively, that they will be enjoying over time through the expenditure of tax revenues.

We believe this whole practice is somewhat contrary to the stated policies within the policy statement on housing where it is stated that there is an encouragement to lower the cost of housing by reducing development standards. We would think that on one hand to have development standards in excess of a municipal norm runs completely counter to that recommendation and that policy.

The other thing we have been finding is that there has been a move afoot to upgrade existing facilities through the use of development levies. We are finding such things as municipal recreation complexes, libraries, city halls, which are being built as brand—new structures but are being funded entirely out of development charges.

When questioned about this practice, the answer we are receiving is that if it was not for new development the existing structures throughout the municipality would have sufficed. It is peculiar from our point of view that the structures that are being built bear no resemblance to the structures which were existing and are quite elaborate monuments of municipal spending.

I would like to get into some specific points with respect to the proposed bill and certain provisions. Subsection 3(4) deals with automatic indexing. We do not think that is such a bad idea, but what we think the regulation should propose is an indexing system which bears a resemblance to the local or the regional economy.

For example, in Ottawa-Carleton, construction prices have not grown equal to the Southam Index or the consumer price index. They have grown at a substantially lower rate. We feel that, much on the lines of what they do with rent control, average increases should be stated on a regional basis throughout the province.

In terms of whether development charges should be applied only against residential land, it is our position that development charges should be applied across the entire board, whether it is for industrial, commercial, residential or institutional uses. If they make a demand for new services, they should pay their fair share.

The appeal provisions set out in section 4 and section 5 are a significant improvement in the eyes of the Ottawa-Carleton Home Builders' Association. For the longest time we were tied to a situation where we were negotiating by blackmail. It was not a very satisfactory solution: If we had some problems with the development charges, we would have to take a municipality to the Ontario Municipal Board by referring to conditional draft approval, often delaying a subdivision for two or three years. I think the proposals within the draft bill are far superior and will allow for a sense of justice for all participants.

The provisions with respect to the payment of development charges: We think that development charges should continue to be payable at the time of the taking of building permits. What we would like to suggest, alternatively, is that they be payable at the time of occupancy charges. That would allow a developer or a builder to develop a reasonable degree of cash flow in order to pay for these charges. Often, the moneys needed from the development charges

are not expended for two or three years after the development is in the ground and the houses occupied. I do not think there is any hardship being imposed by that suggestion.

The front—ending provisions I think are a good addition; the fact that they overcome the experience of the industry where municipalities would use their best efforts to collect. Now, by virtue of section 13 of the proposed bill, it will become more or less mandatory. A number of municipalities in Ottawa—Carleton have indicated to representatives of our association that they intend to carry through with that provision.

However, there still are some problems in Ottawa-Carleton where that is not necessarily the case. For example, the region requires the installation of watermains over and above what is required for a specific development. The current policy is now that they are not going to extend any credit for that oversizing. This statement is being made quite clearly in the face of the policy recommendations or the procedures specified in section 13.

In the other instances where repayments have been agreed to, the repayments are not being paid for on a timely basis. They are being delayed for three, four or five years until the region finds the money within its capital budget to give a little bit to the developer who puts the watermain in up front. We think this is unfair and this amounts to nothing more than the development industry having to finance the cost of regional works.

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Another instance where we think there is potential for abuse comes out of the new regional official plan. There is a specific policy within the development provision saying that certain new growth areas of the region will be allowed to proceed provided they take place at no net cost to the region. At the same time, the regional development charges include significant cost items that are intended to bring infrastructure to those areas, such as large lengths of trunk sewers. What we have been told by certain members of regional council is: "You can expect to have to front—end and pay for the costs of those new services, but you are also going to pay the lot levy: no credits, no reductions, thank you very much." This is quite blatantly a case where they are going to the well twice and double—dipping.

In terms of the educational levy, our concerns mirror very much those of the Ontario Home Builders' Association and the London Home Builders' Association. However, in Ottawa-Carleton we have a unique situation. We have five different boards of education: English, French, public and separate. Does the legislation intend to permit each and every one of those school boards the ability to impose a levy to finance its capital projects? If it does, I think in Ottawa-Carleton we will find a levy for educational facilities, not in the \$10,000 range that had been spoken about earlier, but in the \$20,000 to \$25,000 range.

The other question we have to ask is: What measures are going to be imposed to ensure that the school boards do not overstate their requirements for school sites? For example, we have a situation in the township of Cumberland where the Carleton Board of Education has currently requested the provision of a total of nine school sites for a development area that is deemed to accommodate a population of 12,000 to 15,000 people. Our experience to date has been that these school sites are not taken up. They are declared surplus and alternatively returned or sold on the market. But in terms of school boards developing their levy, quite clearly they would be looking at

these nine schools as being built in setting forth their total financial requirements. Is there going to be a mechanism imposed to allow a critical assessment of the school needs within a development area?

We would assume that under the regulations to be proclaimed under the act—and I have not seen them, unfortunately—school boards will have to look at their overall financial situation both in terms of their new school needs and their surplus school needs. Certainly our position is that if there are surplus school sites, they should indeed be sold off, and the moneys realized put into the capital growth needs of the region or local municipality and used to offset the added cost for providing new schools.

We applaud the notion that the school boards for the first time in a number of years will be asked to do their business in more of a public forum. Our experience to date is that school boards do not like to air their business in public and that they now will be required to justify and undertake something that closely approximates strategic planning in terms of setting out their short—, medium— and long—term needs. I think that is a really positive statement, in so far as our association is concerned.

I think the implementation provisions of Bill 20 are quite clear in terms of setting forth the enactment timetable for the act. We have two specific concerns with respect to whether controls will be imposed. The first is to ensure that municipalities do not jump the gun and seek to enact or extract levies over and above their current bylaws but being thought about in their proposed bylaws. For example, we have been told by the city of Nepean with regard to for the opening up of a new development area of some 1,200 to 1,500 acres that its new levy may not be in place and that it intends to handle it through the subdivision process. What they will do is negotiate on a project—by—project basis what the developers will be asked to require. We think this runs quite contrary to the stated intention of the bill and should not be permitted across the province or within Ottawa—Carleton.

The other aspect we would like to raise is whether or not the province will guarantee that planning applications will be handled in a timely fashion and will not be delayed unduly by certain municipalities who see the opportunity of enacting their development charges bylaw, therefore extracting higher levies. We think the business of development and the business of planning should continue, irrespective of whether or not a Development Charges Act or a development charges bylaw is on the drawing board.

I think the concluding point I would like to make is that we would hope that the Ontario Municipal Board would be beefed up in terms of its membership and also its experience in terms of handling development charges and appeals to them. We believe that in many cases a number of municipalities will be faced with appeals to the Ontario Municipal Board on their Development Charges Act and we would hope that the board would have the manpower to deal with them in a timely and effective manner.

At the present time, decisions of the Ontario Municipal Board are not precedent; they are merely guidelines which are to be followed for one specific case. The other suggestion we would have is that some thought should be given to establishing a mechanism where the board's decisions with respect to the interpretation and the implementation of this act would be made more binding for subsequent decisions and subsequent actions by the municipality.

In conclusion, we would urge that the committee recommend to the Legislature the timely enactment of this statute. However, we would strongly

recommend that a process be established to ensure that it is not cast in stone, but rather it is structured to ensure a flexibility in adapting the legislation to the emerging practices across the province.

 ${\it The\ Chairman}$: It was a very helpful presentation, very different in tone from your London confrères who were here this morning. I have questions from Mr Ferraro, Mr McCague, Mr Morin-Strom, Mr Haggerty, Mr Jackson and Mr Cleary.

 $\underline{\text{Mr Ferraro}}$: My question, sir, is prompted by a statement you made vis- \hat{a} -vis the concern being expressed—fully realizing you are speaking on behalf of home builders, but some of your members are concerned about the potential availability to municipalities to acquire industrial land and subsequently being in competition with the private sector. I think it is a valid concern.

On the other hand, my question specifically is, is there not, to use your words, concern about the fairness and equitableness of a situation where a number of developers control all the land and subsequently manipulate, if you will, for lack of a better word, or control the prices the average consumer, and indeed small builder, has to pay for these lots? I suggest to you that by allowing municipalities to either acquire industrial land, which they have been able to do, and even go a step further, to allow them to acquire residential land for low-cost housing projects if they so desire, would satisfy the small builder's concern and also offset or balance, if you will, the monopolization of land holdings from a community, which subsequently contributes to the wellbeing of that community in general.

Mr Noonan: I can appreciate your concern. I will answer it from an Ottawa-Carleton perspective, because that is the area I know best.

In Ottawa—Carleton, we do not share the concern that certain individuals in the Toronto market have with respect to certain development companies holding monopoly power or market power in a specific geographical area. The land market in Ottawa—Carleton is very robust, very active and very competitive. It has maintained a number of players throughout the market. The whole notion of withholding a certain tract of land or certain areas of land from the market, thereby bidding up the price, quite clearly is not happening in Ottawa—Carleton.

Ottawa—Carleton, I think, is reflective of the fact that it is a federal government town and has experienced consistent growth over the last decade. It is not characterized by the booms, busts or wild fluctuations of the Toronto market. We have experienced a gradual seven per cent growth rate. That has encouraged a fairly steady industrial prospect out there, and the market has picked it up, whereby the players, be they residential, industrial or commercial, actively compete in it, knowing full well that they will be able to acquire something at a fair market value and bring it on stream at a price which is supported and can be purchased by the market without any real criticisms.

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A situation whereby a local municipality would be able to use lot levies to acquire industrial lands and bring them on stream would bring about a shift in the market mechanism. It could disrupt certain aspects and it could also act to bankrupt certain industrial land holders who are bringing on their property at what they perceive to be the market price, the going price and the costs of development.

That is a real concern we have. We do not want to see our membership being placed in an unfair situation where the industrial parks are being sold on a subsidized basis because of the attraction of encouraging industrial development so that it helps the assessment base. That is a real concern that I have.

Mr McCague: I read from your brief that you have had some difficulty dealing with elected people in the Ottawa-Carleton area and that this legislation appears to the Ottawa board to give some relief to the problems you have experienced in the past. I guess our ultimate concern here is the home owner, the person who is going to buy those houses. What is it going to do for him?

Mr Noonan: In all honesty, I think I can speak for my firm and I think I can generally speak for the association. We are looking to bring on houses at the lowest possible price we can. The Ottawa-Carleton market is not the Toronto market. The number of homes that are being marketed in the \$200,000 to \$250,000 range are very few and far between. Our market is in the low to modest price. Currently we are marketing town houses for \$107,000. We are marketing single-family homes for \$120,000 or \$130,000. That is where the market is. That is what the market is demanding.

We would like to ensure that lot levies remain as low as possible to keep the price of these homes to an affordable range. If I could go to the Ontario Municipal Board tomorrow and have a lot levy reduced by \$5,000, I am not going to eat that number, I am going to pass it on to my home purchaser.

That is a function primarily of the competitive nature of the Ottawa-Carleton market, where you have three distinct areas. The three distinct areas play against each other and it is very much a price proposition. If you can drop your price by \$5,000 or drop your price by even \$1,000, it puts you in a situation where you are maintaining your profit margins but you are able to offer a product to the market at a much lower and more attractive rate. You can move more product. That is particularly true in the case that the market has dropped by 20 per cent in Ottawa-Carleton for new homes.

Mr McCague: Certainly nobody has brought the perspective to us before that this legislation will lower lot levies. It has been the opposite, that it will increase lot levies. I guess the big argument is whether or not the lot levies should be used for the purposes of school construction at the same time as the provincial level of support will diminish, as the bill says, from 75 per cent to 60 per cent of approved projects.

How do you see the lot levies being lowered? Is it this legislation or is it the harmony between the municipalities and your association that you think will bring the lesser fees?

Mr Noonan: Let me address that last point there. There certainly is not a harmony on the issue between our association and the municipalities.

Mr McCaque: There is not?

Mr Noonan: There is not. We continue to believe that we are being treated unfairly, that whatever is included within the current lot levy charges is not justifiable in the face of the legislation at the present time. We are being levied for library books and other soft services or depreciable items, fire trucks, etc.

In answering your question with respect to how we see this legislation working to lower the cost of new housing, I can answer in two ways. First, from the municipal point of view, I see the ability to seriously question those cost components which are included within the municipal portion of the lot levy. I firmly believe there are a number of items which, when it comes down to the more detailed analysis, will be knocked out and will work to lower what appears to be a \$3,000 levy down to a \$2,500 levy. There will be a modest reduction.

I may be caught up in my own naïveté in that respect, in the sense that they may come forward with new items which they will add to their levy and they will offset the deductions which we have managed to work out in the first place.

On the municipal side, it seems there is a great potential in terms of lowering lot levies. In terms of the school boards, the bill is going to offset it by raising the lot levies, by increasing the cost which up to now has not been there. It is going to add to the cost of new housing. Hopefully the reduction on one side of the equation will be offset somewhat and we will be in a no—win situation. I do not think that is going to be the case, but there is always the distinct possibility that that may be the case.

Mr McCague: On the lighter side, how is business?

 $\underline{\text{Mr Noonan}}$: Not as good as it could be, but I guess we cannot complain. We are still selling houses.

Mr Jackson: Better than it is going to be under this legislation.

Mr Noonan: Quite possibly, yes. Just as a point, the questions are being asked that are in the public's mind. They are asking, "What is this bill going to do to the price of new housing?" We are saying quite honestly, "We really don't know what the potential is, but once it's given royal assent and once the municipalities and the school boards get their act together, the price of new housing may be substantially increased, so buy now." That is what we are telling the purchasers.

Mr Pelissero: A good marketing ploy.

Mr Noonan: It is, and we recognize it as that.

The Chairman: Straightforward answer.

Mr Morin-Strom: Mr Noonan, the area you are bringing up that is a really big concern has to do with the potential for huge increases on the school lot levies. You throw out particularly the concerns in Ottawa-Carleton, where you have five different school boards and the possibilities of, as you have indicated, lot levies as high as \$20,000 to \$25,000 as a result.

I think it is unfortunate, Mr Chairman, that we do not have a representative from the ministry here with us on an ongoing basis to answer the kind of concern that has been raised by Mr Noonan with respect to the possibility of each of the boards raising its own set of lot levies in a situation such as this. I wonder if the chairman or the clerk has asked that we have representatives of both ministries to answer those kind of questions.

The Chairman: Yes, we have. We have asked and I was told they would be in and out during the day. Is there anyone here from the ministry?

Ms Dalzell: I am here from the Ministry of Education.

The Chairman: Would you like to move up next to Ms Anderson and perhaps you could participate in the dialogue? Is there someone from the Ministry of Municipal Affairs here, as well?

Mr Pelissero: The parliamentary assistant.

Mr Reycraft: I believe Mr Polsinelli plans to be here next week.

The Chairman: Yes.

Mr Reycraft: He cannot manage to be here today or tomorrow.

The Chairman: That is right.

 ${\tt Mr\ Jackson}$: We do not have a parliamentary assistant to the Minister of Education any longer.

Mr Reycraft: That is correct; however, we do have a new parliamentary assistant to the Treasurer and I would be more than happy to take note of the questions and get answers back to the committee if we are not able to answer them today.

Mr Morin-Strom: Who is the representative?

Ms Dalzell: My name is Elizabeth Dalzell. I am from the school business and finance branch of the Ministry of Education.

Mr Morin—Strom: The questions really were raised by Mr Noonan in his presentation. I guess I could read it. "Does Bill 20 imply that each school board will have the legal authority to enact bylaws imposing development charges?" There was serious concern in Ottawa—Carleton about the matter of five school boards, with the possibility of development charges being raised by each.

Mr Ferraro: Excuse me, Mr Chairman, on a point of order: I am just curious here. I appreciate Mr Morin-Strom's right to ask a question, but should we not be asking questions of the presenter and subsequent to the presenter being here, then ask questions of the minister? It is going to turn into a debate otherwise. I am not saying he should not ask his question. I am just concerned about the format.

Mr Morin-Strom: I am suggesting that the presenter raised the question and the ministry should be here to answer questions being raised when it gets into technical or detailed questions about the government's intentions. The government's intentions were questioned by Mr Noonan, quite correctly, and I think the government should have to respond.

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The Chairman: The question Mr Ferraro raises is when, in view of the fact that it is Mr Noonan's time before the committee at the present time. If Mr Noonan has no concerns and if the ministry is prepared to answer now, it may be easier to do it now.

Mr Ferraro: Just to conclude, Mr Chairman, I totally agree with Mr Morin-Strom's statement and I concur with your interpretation. The only thing is, I have a number of questions for the ministry myself. Quite frankly, it was my impression that it would be done at a subsequent and more appropriate time.

The Chairman: Right. Mr Morin-Strom, you have the floor. Do you want to ask the question of Mr Noonan?

Mr Morin-Strom: I will ask it of Mr Noonan. You have given us some real question marks in terms of what the development charges and lot levies in total are going to be. In the end, you have presented some optimism at least from Ottawa-Carleton that you feel you are being had by the local and regional municipalities. There is some possibility that some tighter regulations might result in some potential reductions there, but obviously you have some really serious concerns, potentially on the education side. Can you tell us now what are the average development charges in Ottawa-Carleton and what would you anticipate as your best estimate, as a result of this bill as you see it?

Mr Noonan: In terms of the municipal side of the equation, we are paying anywhere from \$10,000 to \$11,000 per single-family home in Ottawa-Carleton. With the enactment of Bill 20, we hope to see that reduced somewhat, but by the same token we are faced with the situation of not knowing how the school boards are going to get into the game, and if each of them imposes a development charge of say \$4,000 to \$5,000, which is modest in comparison to the estimates that I have seen earlier, we are faced with something in the range of \$20,000 to \$25,000 for a lot development charge.

Again, I cannot provide you any better answer because I just do not know. Nothing has been specifically stated detailing the situation, how it would be implemented in Ottawa-Carleton.

Mr Morin-Strom: In Ottawa-Carleton, can that kind of an increase, which is a \$10,000 to \$15,000 increase in the cost of providing housing, be absorbed by the marketplace or is it going to mean that the amount of new housing coming on the market is going to have to go down considerably?

Mr Noonan: I think what it will do ultimately will be to reduce the price of the affordable housing on the market. Certainly, the housing which is deemed affordable by the province in terms of the policy statement is anything that costs less than \$150,000. The addition of an education levy in there will push it above that criterion for a majority of the housing and will essentially create a very narrow window of opportunity for affordable housing to be purchased. I think it will ultimately reduce the individual purchaser's buying expectations in terms of the Ottawa market. It will force them to go across the river. That is what you will see: You will see a flurry of development activity in Gatineau, Hull and Aylmer, which is not all bad, but that is what ultimately will happen. It will arrest development in the municipalities of Ottawa-Carleton, sending it across the river.

<u>The Chairman</u>: Pursuant to Mr Morin—Strom's suggestion, and if I hear no objection, if the ministry official wishes to clarify the ministry's intentions at this time, perhaps she should go ahead.

Ms Dalzell: I am probably being presented with the most difficult theory of all, which is the Ottawa-Carleton board with the numbers of different boards involved. The intention of the legislation is that included in the calculation of an education development charge would be the total number of pupil places that will be required as a result of development occurring within the area of jurisdiction of the board. In the situation where

you have coterminous boards, the idea is that those boards will work together. This is something we had difficulty sort of putting together, but the idea is that the boards will work together to determine a pupil yield in total. Whether those pupils are public or separate is something that will be worked out between the boards.

You may have two boards coming together saying, "In total, we see 10,000 new pupil places being required." That will translate to however many schools, elementary and secondary. The split on that, we anticipate will be 75 per cent public and 25 per cent separate. Boards will then calculate in that respect what they anticipate their education capital costs will be. In that respect, we could say that the public board can expect to build six schools and the separate board can expect to build three schools; something like that. That in its entirety will make up the education capital cost and will determine the levy. You take the total education capital cost, divide it by the number of new housing starts and you have a levy.

Mr Pelissero: Which is what I understand you were saying, trying to bring some strategic planning to the boards of education.

Mr Jackson: It is already in place.

Mr Pelissero: Just one final point, a question on his figures: You were saying that the housing market you were building for—I think the figure you said earlier was between \$100,000 and \$120,000. Then you said that adding \$10,000 or \$15,000 over and above that, using the education, would put it over \$150,000. Is the range higher then? Is it the \$120,000 to \$135,000 market that you were talking about?

 $\underline{\text{Mr Noonan}}$: The market now is in the \$120,000 to \$130,000 range, but with the addition of the educational levy—

Mr Pelissero: Yes, potential as well as—you said right now that under the proposed legislation, getting back to Mr McCague's scenario in terms of working with the municipalities, this at least puts a mechanism in place for the builders to see that the municipalities have to justify what they are asking for, basically.

Mr Noonan: If I can just comment on one point, the difficulty with taking the co-operative approach is that it does not work in Ottawa-Carleton. There have been a number of court cases going backwards and forwards over the disposition of assets. You can say, "Okay, in this new development area, recognizing the needs of the four boards, we have 10,000 pupil places." The French board may only have the need for 300 places, but it will want a facility itself. They will not put it in a facility. They will not share facilities. They want their own facility.

If you did it on the simplistic method that was described earlier, it is quite logical that the levy will not be astronomical, but when you get four different boards saying they each want separate facilities is when you have a real potential for a spiralling cost and an additional levy.

If I can comment on Mr Jackson's comment, we are aware that the board does strategic planning right now. We have some real criticisms with the quality of the strategic planning it does. We are hoping that by forcing it to do it in the open, it will enhance its professionalism or its expertise.

Mr Jackson: If I can clarify it, your concern is the fact that a

school board can hold up a plan of subdivision while it dickers around deciding whether or not it wants a school.

Mr Noonan: That is right.

Mr Jackson: Nowhere in this legislation, as I read it, in that process of subdivision application—the potential to force you to subdivide and provide a school site. How to pay for it is not the issue here, just the potential to take your 27 acres and pull a six—acre high school site out of it. That is not going to be removed by this legislation.

Mr Noonan: No, and that is a good point.

Mr Jackson: That is your major concern. My background is in the development and real estate industry and I was 14 years on school boards. I started several property committees at our board. We are not going to be able to resolve that ongoing problem with school boards that cannot make up their minds if they are going to need a school eight years from now.

Mr Noonan: That is a point that is generally alluded to at the top of page 7 of my brief.

Mr Jackson: I am glad we got that clarified.

 $\underline{\text{Mr Haggerty}}\colon$ I have a supplementary. I got out of here a couple of weeks $\overline{\text{ago. I}}$ have some difficulties in this area of lot levies applied to the education system. We have heard of pooling, that all school boards will share in the development of a plan of subdivision, but some place along the line we are forgetting that.

I imagine when you plan a subdivision, you go out and sell the lots and a builder will build on the lots. Normally, the person who purchases a lots, or a contract is made to build a home on the lot, usually knows whether he is a public school supporter or a separate school supporter. Normally that is the case under the Assessment Act. I was just wondering if we have not forgotten, in the area of assessment, that the person who purchased that home should have the right to say where that development tax should go, where the lot levy should go.

Interjection: Is that a statement or a question?

1230

The Chairman: I have a question from Mr Cleary.

Mr Cleary: One of my questions has already been answered, but I have another one here. I am sure it is the same in other parts of the province. Where you talk about surplus school sites and redundant school properties, maybe you would like to comment a bit more on that, whether some of those sites have buildings on them and could be used for something else.

Mr Noonan: Certainly. I can speak of one specific example, and that is in the city of Nepean. Over the past five years, the school board has declared surplus 24 sites in that municipality. These 24 sites have been acquired by the school board and ultimately sold for other uses, uses which can adaptively reuse school boards, be it a private school, a community facility or whatever. Alternatively, if they are vacant property they get put back on the market and converted into infill housing, which I think is appropriate as well.

But the comment I was making here is that with this large real estate portfolio many school boards have—I look at the city of Ottawa, for example, where it is faced, just like the city of Toronto and the city of Etobicoke, with a number of school boards that are redundant—these schools should be sold and put into the capital resources of the school board and used for the societal good of all the population of the school board, to build new schools.

That is the whole nature of government, that you work for the greatest common good. Metropolitan Toronto was set up for that reason, that Toronto would fund the development of Scarborough or North York. I think in the same situation the existing schools can be helped to ease the burden for the building of the new schools, be it out in Barr Haven or in Cumberland.

The Chairman: Thank you very much. We really appreciate your coming here to make this presentation. As I indicated at the conclusion of your remarks, the tone of it was different from that of some of your confrères elsewhere in the province and we do need to have the input, particularly from Ottawa—Carleton because there are some unique problems there. We appreciate your coming today.

Members of the committee will note that we do not have any business scheduled for this afternoon, although we have a very busy day scheduled for tomorrow.

Mr Pelissero: In reviewing the agenda for the rest of this week as well as next week, I know that the committee has only been given time to sit this week and next week and it is all taken up with presentations. I was wondering if the committee might want to consider asking for additional sitting time some time in September so that we we could do clause—by—clause. Karl is shaking his head.

Mr Morin-Strom: More hearings.

Mr Pelissero: More hearings. I do not know whether there were more-

Clerk of the Committee: We have accommodated everybody.

Mr Pelissero: We have accommodated every group? We have or we have not?

 $\underline{\text{Mr Morin-Strom}}\colon \mathsf{That}\ \mathsf{is}\ \mathsf{what}\ \mathsf{I}\ \mathsf{would}\ \mathsf{like}\ \mathsf{to}\ \mathsf{know},\ \mathsf{if}\ \mathsf{we}\ \mathsf{have}$ accommodated every request.

<u>Clerk of the Committee</u>: Up until two days ago. We extended the deadline for hearings and even groups that called after the hearings began have all been accommodated.

Mr Pelissero: If we give some consideration to requesting additional time, that does not necessarily mean we are going to get it, but we can at least request it for clause-by-clause in September. Failing that, clause-by-clause will not take place until we come back in October. I know we had asked for an additional sitting day. I do not know whether that has been granted yet. I am just throwing it out for consideration. We can come back to it at another time.

The Chairman: Any comment? Mr Jackson.

Mr Jackson: No, not on that. I have another point to raise.

The Chairman: Any comment on Mr Pelissero's point? Maybe Mr Reycraft has some information. From your previous life, do you have any information as to whether we actually do have another sitting day in the fall?

Mr Reycraft: I would expect that the whips will have some difficulty allocating additional time to this committee in September. The schedule for September is already a fairly heavy one. There are at least four, and sometimes five, committees sitting every week in September. That is the kind of unofficial maximum the whips like to stick to. However, as Mr Pelissero has indicated, it certainly will not do any harm to ask.

Mr Pelissero: We can ask.

The Chairman: No harm in asking.

Mr Reycraft: Put the pressure on.

The Chairman: Would the committee like to ask?

Interjections.

The Chairman: We will then. Should we ask in the generic sense that we would like some time in September or are there specific weeks you would like avoided?

<u>Mr Pelissero</u>: We can bring it up some time next week and look at it then after everybody has had a chance to check their schedules and what their committee responsibilities are in September.

The Chairman: Will we wait then and discuss this matter later?

Mr Haggerty: I just want to say one thing. I support the letter that you sent to the House leaders saying the committee should be able to set its time schedule.

The Chairman: Thank you very much.

Mr Haggerty: I think the business of waiting for the three whips to
get involved in that—

Mr Jackson: To horse-trade our time.

Mr Haggerty: I kind of resent what has taken place in the last couple of weeks. We are saying that we have meetings set for this week and the following weeks and then all of a sudden you get a phone call that they are not quite sure. It is on; it is off. Then all of a sudden you get, "Well, it's been cancelled." I just think there has to be a better way of making arrangements for these to be set.

The Chairman: Last week was cancelled. It was not the whips' fault. They gave us the time last week. There were a number of Liberal members who had planned an outreach in northwestern Ontario. As well, we were finding that the presenters—as you can see even from this week's schedule and next week's—wanted to delay their presentations until they had copies of regulations and until they had a chance to meet with their groups.

Mr Haggerty: If I had not met Harry some place in my travels a couple of weeks ago, I would not even have known that the meeting had been cancelled. I was prepared to come in.

The Chairman: My apologies to you on that.

Mr Jackson: I have a point that came out of this morning's meeting. In terms of Anne Anderson as our researcher, there is a research paper available, if the committee is interested, on the effects of the sale of a school and resale values. It is the sale of an existing school so it is the other end of the equation.

I know of the existence of one of those reports I have spoken to. That can be obtained through the Ontario Real Estate Association. But to my knowledge we do not have one that deals, from the development end, with the impact of marketing new homes and the existence of a school. I just wanted to put that on the record because I have spoken on that subject at public hearings and Ontario Municipal Board hearings in the past.

I am just sharing information. If members of the committee would like it, that is where that report exists. The consensus is that it marginally affects value, if at all. I just wanted to let you know that it hardly affects any values whatsoever. If you want the report in any detail, you can have it. We can get you a copy.

Second, would it be possible for us to get a copy of the existence of any other plans in Canada similar to the one being proposed by the government, if they exist? If they do not exist, then do we have the details on that?

The Chairman: On your first point, if you can provide us with a copy of the real estate report, I will undertake to have it distributed.

Mr Jackson: All right; that is not a problem.

 $\underline{\mbox{The Chairman}}\colon \mbox{I was a little confused at the suggestion that the money all went to the province from the sale of a school.}$

<u>Mr Jackson</u>: We can get into that, but it does not. A portion of it goes to the province and a portion of it goes into the capital fund. When the school boards are before us, perhaps they could go into more detail on that. There are a lot of things that have changed in that whole area.

The Chairman: On the other issue, I do not know whether you have had a chance to look at Ms Anderson's brief on the national survey she did on what exists in other provinces and other states.

Mr Jackson: No, I have not got to that as yet.

 $\underline{\mbox{The Chairman}}\colon \mbox{\bf I}$ think there are 16 states that have laws similar to this.

Mr Pelissero: Did we get one?

The Chairman: It should be in your packet.

Mr Jackson: Okay. I will read that.

The Chairman: Take a look at that and if there is anything further you want, we will get it for you. It is dated 16 August and it is entitled National Survey on Lot Levy Exemptions.

The committee adjourned at 1239.



Paulson of F-11a

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS
DEVELOPMENT CHARGES ACT, 1989
WEDNESDAY 23 AUGUST 1989
Morning Sitting



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

CHAIRMAN: Cooke, David R. (Kitchener L)

VICE-CHAIRMAN: Pelissero, Harry E. (Lincoln L)

Cleary, John C. (Cornwall L)

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Kozyra, Taras B. (Port Arthur L)

Mackenzie, Bob (Hamilton East NDP)
McCague, George R. (Simcoe West PC)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Pope, Alan W. (Cochrane South PC)

Substitutions:

Jackson, Cameron (Burlington South PC) for Mr Pope Reycraft, Douglas R. (Middlesex L) for Ms Hart

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Education:

Dalzell, Elizabeth, Policy/Legislation Analyst, School Business and Finance Branch

From the Municipal Finance Officers Association of Ontario:

Gartley, Jack, Commissioner of Finance, Regional Municipality of Durham

Rinaldo, Joe, Commissioner of Finance and Treasurer, Regional Municipality of Halton

Richards, Robert, Treasurer and Commissioner of Finance, Region of Peel

Individual Presentation:

Rich, George, Planning Consultant

From Borden and Elliot:

Davies, Jeff, Barrister and Solicitor

From the Ontario Chamber of Commerce:

Jackson, Linda, Vice-President

Eastman, Don, Chairman, Economic Policy Committee

Rehor, Elaine, Assistant General Manager

From the Regional Municipality of Durham:

Herrema, Gary, Regional Chairman

Gartley, Jack, Commissioner of Finance

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 23 August 1989

The committee met at 1002 in committee room 2

DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

The Chairman: The committee will come to order. We should get started now because we have a very rigorous schedule. I think all members were aware that we would have a rigorous schedule today.

I will start the proceedings this morning by asking Ms Dalzell from the Ministry of Education to expand on some comments we dealt with yesterday regarding the disposal of schools.

Ms Dalzell: The question came up yesterday whether it would be appropriate for a school board to sell off a school that perhaps was not being used to its full capacity in order to finance the building of a school elsewhere within its jurisdiction. That is an option to a certain extent, but oftentimes school boards are loath to do that for a number of different reasons.

The first is the cost of transporting pupils who are left in the school to other school facilities. Parents' groups often have some concerns with respect to this option and will put a lot of pressure on school boards not to sell existing facilities. There are often program changes and school boards can determine that they will require the school later on, say, for a French-language program or other programs like that. In essence, the school board has to be able to determine that it will not require a school for the next 10 years before it can go ahead and sell a school.

With respect to the funds that are received upon the sale of a school, they are split between two different funds. One is called the ministry equity capital reserve fund and that is set up for the school board by the ministry and is earmarked for projects that the school board wishes to partake in, which could be something like the building of a new school. The other part of the money is set up in a board equity capital reserve fund and can be used at the board's discretion for reno-retrofit projects or any other capital projects that it determines it would like to undertake.

The split of the money between the two funds is based on the school board's rate of grant. If you have a situation where in a capital project the ministry would be responsible for 50 per cent and the board for 50 per cent, the funds from the sale of the school would be split between those two accounts on that basis. In actual fact, the ministry does not get any money back from the sale of a school. It is set up in two different accounts, really, for the use of that particular board.

Mr Haggerty: That raises a question. Can you advise the committee what numbers we are looking at. I am talking about the amount sitting in these

reserve funds of the school boards. Bill 30 went into the division of much of this property. Some of it went to the separate schools but there was a price tag on it. How much money is there in reserve? Just give me the whole number for the province.

Ms Dalzell: I could not give you that number.

The Chairman: I think we would be comparing apples and oranges if we started to bring in Bill 30. Do you not think so, Mr Haggerty?

Mr Haggerty: I am just saying that in regard to the public school boards, it is known that there is a reserve fund set aside for whatever you talked about—capital projects or other projects that they may want to fund—but there is a nest-egg sitting there.

Ms Dalzell: For school boards that have sold schools in the past.

Mr Haggerty: That is right. Can you not advise the committee members what we are looking at, that is, how many millions of dollars they are setting aside in this? What is the overall global—

Ms Dalzell: I could not give you that number off the top of my head, but I am sure it is available somewhere.

The Chairman: You are looking for the amount of money that right now has been set aside because of closed schools. Is that what you are talking about?

Mr Haggerty: Yes, the school boards have it now. They are just sitting on that. What they are doing with it, I do not know. It is sitting in a reserve fund.

The Chairman: It depends on the school board.

Mr Haggerty: I think it was brought to our attention yesterday. One of the witnesses said many of the funds that are set aside now in lot levies that are now in municipalities are sitting there. It is not used for what it was intended for.

The Chairman: Perhaps we could get those figures then. I think they would be particularly helpful, though, if they were broken down to individual school boards.

Mr Haggerty: No, just a global number. I think if any other member wanted to get that, he could get it, and what the province is holding there. There are two nest-eggs there.

Mr Reycraft: Just supplementary to that, I think it would be helpful if we could see the information on a board-by-board basis across the province. We are dealing with legislation here that really addresses problems in high-growth areas and I would want to take a look at what those equity funds had in those areas particularly.

The Chairman: I know in my area there have been accusations, and I have made them, that certain school boards like selling downtown properties because there is a lot of money in the prime real estate downtown. If we can get that figure broken down into school boards, I think it would be helpful.

Our first presenters this morning are from the Municipal Finance Officers Association of Ontario. Their brief is in front of you. Gentlemen, perhaps you could take seats. I see three of you and only two seats.

Mr Gartley: Could I move these seats up?

The Chairman: Yes, if you can be comfortable that way. Just remember when you are speaking to try to speak into one of the microphones in front of you.

We have Joe Rinaldo, commissioner of finance and treasurer for the region of Halton, Jack Gartley, commissioner of finance and treasurer for the region of Durham, and Robert Richards, commissioner of finance and treasurer for the region of Peel. Perhaps you could identify yourselves directly when you are speaking for purposes of Hansard. Welcome, gentlemen.

MUNICIPAL FINANCE OFFICERS ASSOCIATION OF ONTARIO

Mr Rinaldo: I am Joe Rinaldo, commissioner of finance for the region of Halton. If I may be permitted, I would like to introduce one more member of our delegation, Heather Bell, who is our executive director for the MFOA.

The Chairman: Yes; my apologies, Heather.

Mr Rinaldo: I will be making the presentation for you and I would like you to turn to our brief. I will briefly highlight some of the issues in here.

Before I start, I would like to thank you for the opportunity for allowing us to speak to you and make our views heard before you.

By way of background, I want to give you some information about the Municipal Finance Officers Association of Ontario. It was established in 1982 and represents the treasurers of virtually all the large municipalities in Ontario, which are the high-growth areas where the lot levies have a significant implication, and a variety of the various small- to medium-sized municipalities in Ontario. That is just to give you a little background in that area.

One of the things our membership will be involved in is the actual administration of the implementation of this bill. Therefore, we feel we can provide you some meaningful input into drafting the legislation. As a matter of fact, we have done that in the past in our submission to the interministerial committee and we appreciate the fact that many of our suggestions have been included in the bill.

Basically, in the green paper that is the foundation of this bill, one of the objectives that was identified was that there were supposed to be additional alternatives for financing growth—related capital costs provided to municipalities. In addition to that, it was stated that new development should contribute to the costs associated with growth.

You can follow that up with the recent announcement or the recent statement by the provincial Treasurer (Mr R. F. Nixon) that in fact the beneficiary approach should be taken so that those who benefit significantly from any services should in fact provide the infrastructure, should make the

greater contribution. Those are some of the underlying philosophies that were intended to be established in Bill 20, I would presume.

The concern we have is that not all of these goals were in fact met in the development of Bill 20. As a matter of fact, if the bill passes unamended, what we see is some shift in the cost of providing municipal services for growth to the existing taxpayers. That is the part we are extremely concerned about. The way I see it, because of the additional risk that will be imposed to municipalities, the avenue of front-ending will probably be eliminated. We will be talking about some suggestions on how we can improve that.

1010

If you turn to page 2, by way of background, there has been a lot of talk about municipal lot levies and how they have been escalating in the past. I want to assure this committee that for the majority of the municipalities in Ontario, lot levies in the past have been developed after extensive studies being undertaken and only including the growth-related capital cost. As a matter of fact, the majority of the municipalities give a credit for future tax contributions made from new growth.

The reason for some of the significant increases that some of the municipalities have incurred in passing lot levies is simply that more and more municipalities are finding they can no longer afford to pay for the growth-related capital costs, or subsidize them. In the past, what we used to do in the calculations was that we would only charge 50 per cent of the growth-related capital costs in lot levies and we would absorb the rest in the property tax base. Because of economic conditions and other budgetary, pressures, municipalities have virtually gone to 100 per cent financing of growth-related capital costs in their lot levy calculations.

Another aspect that I can personally give you an example of is that the last time Halton had to increase its lot levy was because the provincial grants for the Ministry of Transportation dropped from 40 per cent to 28 per cent on growth-related projects. That required a 25 per cent increase in our lot levy for roads. Those are some of the reasons municipalities had to increase their lot levies in the past.

We did not go extensively into the legislation. We felt we would try to keep to the central issues and the central concerns that we have in this particular bill. For example, we did not deal with the regulations as we only received them last week and we did not have an opportunity to provide extensive review of them. I understand that the minister has given us until 2 October to respond to that. We appreciate that and we will in fact do that.

The other thing I have not dealt with extensively here is the process. We firmly believe the process should be simplified in order that we do not create exorbitant fees from consultants and lawyers who are the only ones who will benefit from the process. I did not want to go into that area also.

The other important area in the bill that we have not covered is the issue of education charges. We know the school boards are a partnership in local government and we did not want to deal with that sensitive issue. We do want to raise for you, though, in my view anyway, two important issues on education.

First of all, you should seriously take a very close look at how you are going to implement the commercial-industrial component of that levy. I think

when you implement legislation that deals with user charges it is subject to challenge not only at the Ontario Municipal Board, but also in the courts. In my view, anyway, there will be some difficulty in justifying that levy to the commercial—industrial sector.

The other issue that is very sensitive is the issue of an individual possibly paying for a public school board capital levy contribution versus a separate school board. I am not going to begin to discuss that, but I am sure there are going to be some people who will be upset because we know from discussions with some of our residents that that issue was raised with us.

I just want to briefly cover off education because I did not cover it in my presentation. The central issues are on page 2, "Definition of Capital Cost." If the definition of capital cost is included as presented, which virtually excludes the equipment and rolling stock, what we see is that we will have to shift a burden of growth to the residential sector of our existing communities.

As a matter of fact, as I alluded at the bottom in the third paragraph, it contradicts many of our official plans which clearly state that new developments should not impose a burden on our existing rate—payers. Further, I am concerned that the actual definition will be interpreted in the courts and in the OMB at a later date, and in fact will be expanded to include things like equipment and sewage treatment plants in other areas, which would therefore create a significant impact in terms of the amount we can recover from development.

Those are some of the issues and we would strongly urge that if it is growth-related capital costs, net after subsidies, it should be allowed. This is a fundamental principle that the whole green paper and the whole bill addresses in its presentation. You will notice that our recommendation does in fact say that on page 3, when we recommend the definition of capital costs. We clearly state that all growth-related capital costs should be included, obviously net of any grants and subsidies. That is the first and foremost recommendation.

The other very important recommendation, from our point of view, deals with subsection 3(1) of the bill. Subsection 3(1) implies that the only capital expenditures you can include are site-specific expenditures. While it is not very clear, it could certainly be interpreted as that. If that is the case, that would virtually, in my view, eliminate at least 50 per cent of the growth-related capital costs and shift them on to our existing communities.

We feel that is contrary to the 1985 cabinet decision that allowed us to use growth-related average costing, a site-specific approach in costing or a combination of the two. I feel it should be clearly stated in the legislation that that is the intent of the legislation. I believe, in discussion with the staff of the Ministry of Municipal Affairs, that was certainly the intent.

We want to make sure that happens because if not, again, what would happen is we would have a big shift. It would have a tendency to discourage prebuilding of services and it would probably not be in the best interests of long-term financial planning of municipal services. If you look at the top of page 4, you will notice we make that recommendation, that the legislation should clearly state that.

The other small recommendation we suggested to you is that since you have identified a lot of the processes where the development charge is

applicable, there were three that were not identified: lifting of part-lot control, the Niagara Escarpment Commission application, and the parkway belt application.

The third important issue, which is not in the actual regulation but was mentioned in the Ontario budget and also in the regulation, is the exclusion of health services infrastructure. This is the first time this was presented to us and we had no opportunity to comment on it in the green paper when it was presented to us.

We should understand that the majority of the local hospitals depend on local governments, local municipalities to finance up to one third of their capital costs for new growth. If you remove that option of using lot levies, we will no longer have a vehicle to finance the new growth component for capital construction of new facilities. What we are saying to you is that if you are going to do that, that means there has to be an alternative source of financing for hospitals. I know our hospitals, and our friends in Peel and other areas in the greater Toronto area, are very concerned about that aspect.

From our point of view, in Halton, to give you an example, it would reduce the amount of funding we would have available to hospitals by half. Showing what they have provided to us in terms of the capital needs, that will certainly not be enough for us to fund the local share. They will certainly not be able to make up that deficiency through local fund-raising because a lot of the local fund-raising is picked up through picks up through some of the ineligible costs that the province will not pick up, and also to make up some of them since we do not always fund the full one third.

We would strongly recommend that if you do that, the Ministry of Health should seriously review its policy and look at the possibility of increasing the two-thirds contribution to a greater amount.

If I may go on to page 5 and deal with the front-end payment legislation, front-ending really is a very complex issue. It is basically moneys the developers put up in advance of construction, which traditionally was provided by the municipality and eventually recovered through lot levies. It really stems from the 1978 cabinet decision which told Oakville that it must grow to 200,000 people by the year 2000. However, the town of Oakville and the region of Halton back then said they did not agree with that. They only wanted to grow to 140,000.

As a result of that, the region of Halton said, "If you want us to grow at that rate, we do not want to take the risk of putting all that infrastructure in place and not having the people there." They said to the developers, "If you want to do it, you pick up all of our costs of our services and we'll give you the money back when we collect the levies from this development."

That is what started the whole thing. The problem the developers had with the whole scheme was the fact that they had no assurance that they would ever be paid back. That is why the developers pushed for the legislation and that is why it is in here. Just to give you a bit of background; I did not know if that would be of any use to you, but it is an interesting review of how it came about.

1020

a true feel yet as to how the front—ending works. For example, it assumes that all payments are done through cash payments. They are not. At the subdivision agreement stage, what happens is that the developer puts up securities in the form of letters of credit, which we withdraw as the capital works are built. At a future time, we will repay them when we collect the levies.

The legislation still does not read in that context. I will not go through all the issues in front—ending, but I would strongly urge the staff of the ministry to sit down with us and once again review that particular component, because if it is presented the way it is—I will be quite honest with you, being the individual who is probably the most knowledgeable in that area—I could not recommend to our council that we get into that type of arrangement in the future.

The definition of "front-end payment," for example, talks about net capital cost. In fact, at the very early stage, at the subdivision agreement stage, what we require is the development to assume full responsibility of such. We ask for securities for the full 100 per cent of the total project, because we have no way of knowing what grants we will get. We can make an assumption of what grants we can get, but we have no way of knowing. So the developer assumes that risk. Therefore, the legislation does not state that, and we have made some suggestions here that there should be total capital cost. Obviously, for any flowback of any grants, we would give credits appropriately.

Those are some of the major issues that are not clear in the legislation.

The other very important issue in terms of front-ending is that the municipality should not be liable for any shortfall in those revenues. In fact, if the predictions are that a certain number of units will be developed, it is by and large something for which the municipality should not assume the risk if there is a shortfall, because all of these agreements are on a best-efforts basis. In other words, we are saying we are willing to contribute all the lot levies we derive in that specific area, but if there is a shortfall, the municipality should not have to assume that responsibility. The risk is just as much the developer's.

In the case of Oakville, the developers are the ones who wanted to establish the 200,000 population figure. As a matter of interest, we are now very close to 1990 and the population of Oakville is only around 100,000. In that particular case, the town of Oakville was correct in terms of its projection.

There are a few administrative issues here that we have mentioned. We think the legislation on front-ending has to be a simpler and provide a greater flexibility. The forecasts in units change as time goes on, as the development occurs. A developer may decide initially to build 100 units, but due to market conditions or due to the fact that he wants to shift some to the commercial-industrial sector he will change those units, and we have no way of---

We have recommended on page 6 some suggestions on how we can improve that aspect. I will not deal with them extensively, but the important one is that in terms of flowback, we need a little more time. It is a very complex scheme to administer. We need at least 60 days to make the payments back. It is not unreasonable, given the complexity of the scheme.

The other thing is that a lot of the entries are also book entries, just

so you understand, because it is letters of credit that we hold; so we will change the amount we hold for letters of credit from one developer to the other or vice versa.

Finally, in the general section on page 7, one of the things we want to be assured of is that the legislation does not prohibit us from collecting other development—related fees and charges other than lot levies which are now imposed in the Planning Act; fees directly associated with that particular subdivision agreement. We want to be assured that we have the ability to continue to collect those.

The other thing we would like assurance on is in terms of oversizing of services internal to the subdivision. It is traditional that municipalities reimburse the developers on that particular aspect on the basis of marginal cost, because they have to put the services in anyway at a certain standard. If we have to provide for the services to be of a larger size—in other words, from an eight—inch pipe to a 12-inch pipe—in order to accommodate development behind it, the practice has been that municipalities would give a credit to the developers on the basis of the additional costs they incur. I do not think that is unreasonable; it has been accepted by the developers in the past and we would like to be able to continue that aspect of it.

The time period given in terms of implementing our new bylaws—I refer to page 7 of my presentation: If a municipality has a lot levy in excess of \$3,000, we must implement it within one year; below that, two years. It is important that you understand that for us to put this new bylaw in place under the new legislation, it is my estimate that it will take approximately six months for the process. Most municipalities have to call proposals for consultants. All municipalities have a normal tender process they have to go through, then they have to do the actual study and then have public input. So we strongly urge that the minimum requirement we need is at least two years.

In addition to that, some municipalities have varying rates of lot levies; they will charge, for example, different types of units on a different basis. Some of them go over the threshold, between \$2,000 to \$4,000, for example. It is not very clear in the legislation how that municipality will deal with its bylaws.

The other important thing is that most municipalities have adopted lot levies by resolution, not bylaws. As such, we want to make it clear that we have the two years even if it is a resolution, and we should continue that process.

In my concluding comments, basically all I want to say is that we believe the process should be streamlined or the only people who will really benefit from this will be the consultants and the lawyers who will defend us at the Ontario Municipal Board.

The public input in lot levies is certainly there today and we do not object to it; we just think it could be a little cleaner in presentation.

In terms of Bill 20, what we are concerned about is that there will be a shift to the existing ratepayers. I do not think it is fair for the ratepayers to have to assume the growth-related costs for the new residents. A lot of them are already extremely upset with the inconvenience they already have to put up with as a result of the growth occurring around them, especially the ones who have been there for a long time.

Another quick comment is that we are concerned about the OMB's ability to deal with all those appeals. I know the development industry is out to challenge these, especially the initial ones, and I do not know how the OMB will be able to handle those. If they hold us up in the process of getting a final decision on those, or if the OMB overturns our decision and we have to refund lot levies, no matter what you say, it will hold up development, because the municipality would be foolish to proceed with major infrastructure improvements not knowing if the revenues are secured. It is just not financially prudent.

In terms of the interest on refunds, while I do not disagree with the principle, there could be a situation where a municipality may have already spent the money on the infrastructure in place; not only will they now have to make up that deficiency—and it can no longer debenture that, because now you cannot debenture on projects you have already completed; you must get approval beforehand—they will in addition to that have to come up with some interest on that deficiency. We certainly appreciate the principle, but in reality there is going to be some difficulty for some municipalities to come up with that.

That is a highlight of our issues and concerns. We would appreciate further discussions with your staff to clarify some of these.

Just one concluding comment. At the very least, if you are not going to change the definition of "capital costs," certainly provide it in the regulations to ease our amendments very quickly as a result of some decisions made by the Ontario Municipal Board and so on.

That is my final comment. Mr Richards, Mr Gartley and myself would be more than happy to answer any questions you have with regard to our presentation or any other matter.

The Chairman: Thank you very much. You have certainly given us a lot of grist to deal with this bill and to fine-tune it.

1030

Mr McCague: I was not aware that lot levies are charged for hospital purposes. If a hospital needs capital funds, I thought that was on a general levy among all the people who would be using the facility. Can you straighten me out on that?

Mr Rinaldo: Basically, you are actually correct. The component relating to improvements to the existing community is absorbed in the tax rate, and that is proper. However, the component of new capital facilities that a municipality contributes to that relates to new growth is, in many municipalities, not all municipalities, collected through lot levies. It is collected in two different methods. I know Mr Richards also has a lot of that issue in his municipalities. Perhaps he would be able to expand on it.

Mr Richards: In Peel, our population has roughly doubled in a decade. To expect a community of, say, 300,000 to have enough funds to build the hospitals to serve 600,000 people, which we now have, just is not financially viable. The provincial statutes, I believe, say the province will fund two thirds of approved costs, and approved costs do not include such things as paving the parking lot in front of the hospital.

Since 1980 we have contributed \$42 million to hospitals in Peel. We are

budgeting another \$50 million in the next five years. We fund those roughly 60 per cent via lot levies and 40 per cent via debt. We will have spent roughly \$60 million in levies on hospitals and \$40 million on debt. If you pull the levies on hospitals, if you pull the \$60 million, I recommend we pull the \$40 million of debt and get right out of the business. That will be in my submission this afternoon as well. The province is putting \$100 million at risk in Peel.

Mr McCague: The rationale for that is that the facility is there for the use of a new home owner and therefore he should pay some of the cost of having put that facility there.

Mr Richards: In Peel's case, we have four hospitals right now that want money. One has not even broken ground yet and another one is in the third phase, Credit Valley Hospital. We gave \$20 million to that hospital. There was no hospital there. There was the need for it—people were lining up in the two existing hospitals—but there was no hospital. As the new residents came, they all contributed approximately \$600 towards Credit Valley Hospital.

As Peel continues to add 20,000 people a year, we are now going to expand Credit Valley, expand Mississauga Hospital, expand Peel Memorial Hospital and build a new one in Brampton; and those funds are coming, \$600 a unit, as new residents come into our community. It is not to pay for the existing hospitals. It is to keep the beds per population ratio at the existing standard and not to let the new people coming into the community drive the beds per population ratio down.

Mr Rinaldo: If I may expand on that, the important thing here is that we are not asking new development to contribute to the existing deficiencies. We are asking new development to contribute to the additional capital facilities required to accommodate them. We do not think it is fair for us to impose that on our existing taxpayers.

Mr Pelissero: Just so I understand, Mr McCague was talking in terms of a general levy or through the mill rate as opposed to having it through the lot levy. You are going from 300,000 to 600,000. Would it not be fair to say that the 600,000 depending on the mill rate would cover that off, or am I losing something in the translation?

Mr Richards: Assume you have 300,000 people and their needs are met. Their beds—to—population ratio is satisfactory. If you double and say, "Let's take those costs and levy everybody"—We cannot send a tax bill out just to new people. As soon as you issue a levy, everyone gets the tax bill, including the 300,000 who were quite satisfied.

Mr Pelissero: With the level of service. Okay.

Mr McCague: Mr Chairman, I wonder if I can ask you, when we finish our delegations next week, to note that I would like to spend a bit of time on this subject in our clause-by-clause consultation here and we will probably need some ministry people. I could pursue this a lot further with these gentlemen but it would take a long time and there is a little inequity in there, I think; but to try to find it this morning might be very difficult.

The Chairman: All right. We will make a note and make sure we look at that as a specific issue.

Mr McCague: Given that the hospital association wants the

opportunity to be able to participate in lot levies, and given the points that have been raised by the municipalities this morning, I think there is a bigger issue there that we could spend an hour or two on at a later date.

The Chairman: Perhaps we should alert the Ministry of Health as well. We will do that.

Mr Kozyra: I would like to focus on your point about the very real possibility of challenges to the OMB, and go back into the situation of those municipalities that have the lot levies now. I wonder if you have the statistics on how many of those were challenged when first introduced, what the results of those challenges were, whether they were successful, whether there were amendments made to the percentage to be levied and so on. If you do not have it offhand, maybe through the Association of Municipalities of Ontario or somewhere, but I think it would be useful to know what happened in the past as we look to the future.

Mr Rinaldo: I personally do not have the statistics now. Mr Gartley has gone through a process like that, so perhaps he can respond to it.

Mr Gartley: In the case of the region of Durham, I believe we were challenged by a large developer in 1982. As a bit of explanation on the timing involved, the development hearing went on for approximately two and a half years. At that time, the development could not proceed, which is different from this bill, to get away from nuisance claims. But the region of Durham was able to prove its case; it was able to demonstrate that our charges were justifiable—not only the staff formula that was used; we also hired a professional consultant to come in and do a different formula and in actual fact, his cost figures came up higher than what the region was charging, which at that time was something like \$2,100 spread over water, sewer and regional roads.

Mr Kozyra: Would you know why in most cases the challenge was turned down?

Mr Gartley: Our friend from the Urban Development Institute in the background there maybe has a different opinion, but I think that recently municipalities have been a lot more successful in defending their cases at the OMB simply because they have been a lot more professional in calculating their lot levies.

Mr Kozyra: Their success notwithstanding, I would like to put a hypothetical scenario based on what seems to be very much coming down. Assuming that these challenges by the home builders will occur—they tie up the process two to three years, as you have indicated—speculate on the consequences of that tie—up. Even if the results down the line uphold the municipality position, what does that two— or three—year tie—up, in each case where it is challenged, do to a municipality, the school board, the whole situation?

Mr Rinaldo: In high-growth municipalities like Durham, Peel, York, it would be devastating in terms of providing the services to meet the growth. It would virtually hold it up. No matter what the legislation says, as I alluded to earlier, it is going to be extremely difficult for a municipality to proceed with spending millions and millions of dollars in infrastructure not knowing whether it has the revenue secured. That is why we thought that if that whole OMB process were simplified, it would certainly help. What we see is the actual administrative process being more complex and, as such, more opportunities for being tied up even further.

Mr Morin-Strom: I thank all three of you for your presentation, particularly Mr Rinaldo. I think you have illustrated many of the serious deficiencies with this bill, particularly in terms of the impact it may have on existing ratepayers in growth areas. Is the bill fixable or, in your opinion, should the government really go back to the drawing board on it?

1040

Mr Rinaldo: We think it is fixable. We think if the problem is worked out with the municipalities that have a clear understanding of how the lot levies work, we think we can make it fixable. We just want some clarification in the legislation so it is not open for dispute at a later date, because that is when we are going to get into those lengthy hearings.

Mr Morin-Strom: Will you or the Association of Municipalities of Ontario perhaps be providing a comprehensive package of amendments that, in your view, would resolve the problems you see with this bill? I think that would be very helpful to our committee.

Mr Gartley: I was one of the professional staff that worked on the AMO paper, and of course the region of Durham is making a submission at 11:30. We have a resolution-by-resolution, detailed study of the bill and made specific recommendations how to correct what we call the inequities in it.

The Chairman: Mr Haggerty, a very quick one.

Mr Haggerty: Yes, just a short question. Concerning the upper-tier and the lower-tier government, does the lot levy just apply to the one or is there a lot levy that can be applied by the local municipality?

Mr Rinaldo: It can be applied by both municipalities, but it will be collected by the lower-tier municipality in most cases, with the exception of Haldimand-Norfolk, which has responsibility for the billing permits.

Mr Haggerty: So there can be a double charge there then?

Mr Rinaldo: Yes.

Mr Gartley: May I just correct Mr Rinaldo? The bill does allow regions to collect for water, sewer and roads. The region of Durham has been collecting since 1974 for lot levies and we do not intend to turn that over to the area municipality unless forced.

The Chairman: I think Mr Rinaldo said "usually," did you not?

Mr Rinaldo: Yes.

The Chairman: Thank you very much for your assistance. It has been valuable to the committee, particularly because of your technical expertise.

Next we have George Rich, who is a rural planner. Mr Rich wrote to the Minister of Municipal Affairs in July. You have his letter in front of you. At that point he made a number of criticisms of the bill and it seemed appropriate that the committee should hear from him.

GEORGE RICH

 $\underline{\mathsf{Mr}\ \mathsf{Rich}}\colon \mathsf{Thank}\ \mathsf{you}$. I do have some copies of the notes I am working from today.

The Chairman: Perhaps we could see those as well.

Mr Rich: This is new material that was completed yesterday.

The Chairman: The clerk will distribute those.

Mr Rich: It could be of help to the committee. I am sorry I am late.

The Chairman: As I say, we have your letter to Mr Eakins.

Mr Rich: I was not intending to raise the detailed points raised in my letter, with the exception of one, and that is that I would urge the committee to give very careful consideration to the way in which those services that are to be subject to development charge are identified.

Until recently, so-called hard services, that is, sewer, water and roads, were subject to development charge and soft services were not. There was a recent decision of the Ontario Municipal Board that reversed that and soft services are now included.

I think it is important in the process of imposing development charges that the public particularly has a right to know and has a right to comment on what is to be subject to charge before the charge is levied.

I am a professional planner with some 40 years of experience and practice in teaching. This is why I presume to take your time today. During the last 22 years of my experience I have been working in Ontario, but during this period I have also consulted nationally and internationally.

Until now there has been very little concern expressed about the widespread use of lot levies by municipalities, even though this practice has a doubtful legal basis. Municipalities are happy with levies because those who will pay the final cost, the new home buyers, are not residents of the municipality, are not aware of what is happening and have had no opportunity to voice their concerns. Developers and builders have not complained, until now, because they can pass the cost on to the home buyer.

As the province is transferring more of the cost of providing local services to the municipalities, it is not difficult to foresee a rapid escalation in lot levies. As this is a tax on an unrepresented group, is it not a violation of the democratic principle of no taxation without representation?

In the past, the municipalities financed new services by a general levy or a local improvement tax. In this way, the municipal taxpayer was aware of these costs and was able to voice any concerns through the annual budgeting process. The OMB approval for some major capital works provided a further opportunity for the municipal taxpayer to be heard.

The continued expansion of the use of lot levies distorts the financing of municipal services. Lot levies conceal these costs and allow a municipality to embark on expensive public works with no reference to the taxpayers. I draw your attention to a somewhat grandiose city hall that has been built not far from here recently. The information I have is that it was financed almost entirely from lot levies. Regardless of who is paying, our system of local government requires that the taxpayers be aware of these costs.

The lot levy issue is further complicated by the case of a resident who

has lived in the municipality for some time and now decides to buy a new home in a recently developed subdivision. He has paid his taxes in the past and will continue to do so in the future. The imposition of a lot levy in this case constitutes, at least in my opinion, a form of double taxation. There is no provision in the legislation for making exceptions, nor would it be easy to administer. I admit that.

Bill 20 is also in direct conflict with the province's policy of affordable housing which was approved by cabinet on 13 July of this year. I am assuming that others have already made this point with you and there is no need for me to expand on that. I can if members of the committee wish.

The province has expressed the intention of strengthening local government. If this is to occur, the strengthening of fiscal responsibility is, in my view, essential. Fully informed local taxpayers can make a strong and positive contribution to municipal fiscal management, but this cannot occur as long as the widespread use of lot levies conceals true municipal costs.

To summarize, Bill 20 further distorts fiscal management of the municipality, thus weakening its accountability; it works a hardship on residents who decide to move into a new house in the same municipality and will be subjected to a form of double taxation; and it is a form of taxation without representation. Thank you for the opportunity to speak to your committee.

The Chairman: Thank you very much. Mr Reycraft has a question.

Mr Reycraft: Actually a couple of them, if I may.

Mr Rich, thank you for your presentation. It is the first of this type the committee has received. It would be of assistance to me if I could put your presentation into context. You talked about 40 years of experience as a professional planner in the province. Could you give us some indication of the parts of the province in which you worked? I am particularly interested in knowing whether or not your work was in high-growth areas, other areas or both.

Mr Rich: The first part of my experience in Canada—I practised as a planner in England before I came here in 1952—was, for 40 years, in the city of Winnipeg. I was the first commissioner of planning for Metropolitan Winnipeg and held that office for seven years. At that point in time, I moved to Ontario and joined the faculty of the school of urban and regional planning at the University of Waterloo when that was formed. In 1981, I decided to teach half—time and move into a consulting practice.

Almost all of my consulting practice has been in a rural setting, principally in the county of Wellington and the region of Waterloo. I have, from time to time, moved a little farther afield with my consulting work. I was recently involved, for example, in an environmental assessment hearing in north Simcoe.

My concerns about lot levies have developed over a period of years—this is not a new concern—and are based on my experience principally in Ontario over the last 22 years.

1050

Mr Reycraft: Thank you; that is helpful. One of the issues that

surround this bill is that of the impact of development charges—lot levies, impost fees or whatever—on the price of housing. Some argue that the price is determined by the market, not by the production cost. Others argue that every cost imposed on a developer or a builder ultimately results in an increase in the price. I would be interested in your views on that issue.

Mr Rich: I am pleased to respond to that one. In my view—I am not a qualified economist; I have worked with economists for some time—the market only dictates the price when there is a surplus of the commodity being sold. That is not the case in Ontario at the present time, particularly if the commodity is affordable housing. There is a dramatic shortage of affordable housing. So the market mechanisms, in my view, do not work.

I can give you a very simple illustration. One of my small builder clients in May of last year was building a modest, three-bedroom semidetached house on a 30-foot lot and he was selling this for \$89,000. That was in May. By September or October of last year, that same house was costing \$110,000. All of the increase had been occasioned by increases in lot levies and increases in sales tax. There had been no substantial increases in labour costs or his profit. There is no question in my mind that lot levies have contributed to the escalation of housing costs.

Mr Reycraft: Do you think, if existing lot levies were to be reduced or eliminated, that the cost of housing would decline?

Mr Rich: Yes, I think so. If I may qualify my answer, I think frankly if one does away with lot levies, then some other means of providing municipalities with additional funds would have to be looked at. But that is a subject that extends way beyond the matter that we are dealing with today.

The Chairman: Five minutes for Mr Mackenzie, Mr Cleary and Mr Ferraro.

<u>Mr Mackenzie</u>: Just a supplementary to the question Mr Reycraft just asked. The increase or decrease occasioned by lot levies, sales taxes or whatever other reason is tied directly to the availability of housing in a particular class, though, and it is when we have a shortage of affordable housing that the effect is going to be felt most.

Mr Rich: Yes.

The Chairman: Mr Cleary.

Mr Cleary: Thank you, sir, for your presentation. There is just one thing that I wondered about here. You say the new home buyers are not residents of the municipality, are not aware of what is happening and have no opportunity to voice their concerns. Where I come from in eastern Ontario, many of the residents who are moving into the new subdivisions are children of families who live in the community or others who have lived in apartments for many years. That is where the big number of new residents occur. I am just wondering if you would like to comment further on that. I know in some areas, probably like Toronto and a few areas, you are probably correct, but I do not think you are correct all over Ontario.

 $\underline{\mathsf{Mr}}$ Rich: That comment, apart from being generally valid, is based on the experience that I have seen occurring in the southern part of the city of Guelph and the eastern part of the city of Cambridge, in the area that I am most familiar with. People in real estate in that area tell me that about 70

per cent of the persons buying new homes in those areas are, if I may use the term, refugees from Mississauga. They find that they can sell their house in Mississauga, they can move to Cambridge, they can buy a house and father has sufficient money left over to buy himself a new car to commute each day. I am reasonably confident that, if the committee would like specific information on this, it can be obtained.

The Chairman: Some of us are quite familiar with that, but Mr Cleary's circumstances are somewhat different.

 $\underline{\text{Mr Ferraro}}\colon$ It is really a supplementary to Mr Cleary's on your assertion that there is no taxation without representation, and it is the second time we have heard it in two days.

Mr Rich, if you had no lot levies whatsoever, and a municipality—you are familiar with Wellington county; let's take Guelph—was going to finance a new subdivision, the acquisition of industrial land or whatever, it would obviously do it on the basis of the mill rate. I suggest to you that in many circumstances—we get many refugees from other areas as well—you would have taxation without representation through the local mill rate. Is it not essentially the same thing? How can you get away with that? How can you do any forward planning?

Mr Rich: I hark back to my experience in western Canada—I am going back now quite a long time—where we had no lot levies. The cost of servicing a new residential subdivision was a local improvement levy, which was a levy over and above the general mill rate. That was clearly shown, and someone buying into that area knew that he or she was going to have to pay an additional tax to pay part of the cost—most of the cost; I think there was a limitation—a substantial part of the cost of the hard services they were going to enjoy.

Mr Ferraro: But I suggest to you, whether it is by form of lot levy or increased mill rate to facilitate forward planning for future development, in both scenarios the existing residents are aware of the charge for lot levies, the budgetary process and the increased mill rates. In both circumstances, someone moving into the area essentially does not have any representation in either of the two scenarios. So what is the difference?

Mr Rich: I think the difference, first of all, with my local improvement scenario, is that it was a general practice. Every municipality followed it. It was well known, and if someone was moving from the centre of the city of Winnipeg to the suburb of Fort Garry, for example, the fact that there was a local improvement levy there was well known.

Mr Ferraro: What you are saying is that it is more evident than the other scenario.

Mr Rich: Far more evident.

Mr Ferraro: Thank you.

The Chairman: Is your question brilliant, Mr McCague?

Mr McCague: No.

The Chairman: Quickly.

Mr McCaque: It is a good philosophical argument you are making here, but I am not sure it holds water. Local improvement is great for an area that presently exists but not for an area to be established. I think people like to know that all the local improvements have been paid the day they move in, and I am not sure there is an alternative to a lot levy in order to establish that. You may be able to sell it to the local politicians, but I do not think you can.

Mr Rich: All I am saying is that in the metropolitan area of Winnipeg and generally in the province of Manitoba, when I was working there, the additional cost of providing services to new residential subdivisions was subject to a local improvement levy and it appeared to work there.

There was one question that was raised earlier on. Someone asked how frequently development charges or lot levies are appealed to the Ontario Municipal Board. Although I cannot give you a number, I can say that this is infrequently done.

The Chairman: You are saying it is-

Mr Rich: Infrequently done; for a very good reason.

The Chairman: We have had some evidence that it is quite frequent.

Mr Rich: There is a reason it is not as frequent as perhaps it should be. I am speaking from the experience of two clients. In both cases I said to them, "Let us appeal this lot levy to the Ontario Municipal Board because I think it is unfair and unjust." After a lot of deliberation, both clients said: "No. We are going to be doing business in this municipality for the next 10 or 20 years. We don't want to make bad blood. We don't want to upset the municipal officials by appealing their lot levies, so we are not going to do it." It is a sad comment, but I think it is a true one.

The Chairman: Thank you for your participation in the process. We appreciate it very much. We will certainly consider your representations.

Next, we have Jeff Davies from the law firm of Borden and Elliot. I understand Mr Davies does not have a formal brief to give us but will be making the presentation from notes.

1100

JEFF DAVIES

<u>Mr Davies</u>: Good morning, ladies and gentlemen. I would like to start out by saying that I am here in my own personal capacity and I will be making just a very few number of points that relate to the bill.

Just by way of introduction, I work as a lawyer by representing clients in the development industry. I hope I am not being too immodest by saying that, but I have a relatively active practice in the greater Metropolitan Toronto area. In the last nine years or so, I have acted on the side of the developer and the municipality in the context of lot levies and lot levy policies, Ontario Municipal Board hearings and challenges at the Ontario Municipal Board with respect to school sites. What I would like to point out are just a couple of points. They mostly have to do with part III of the bill, which deals with levies for school purposes.

The first point I would make is what I think, in the context of my presentation, will be the one that is most important from my point of view. If I can ask you to just take a quick look with me at section 29 of the act—

The Chairman: Does everyone have the act? Yes. Go ahead.

Mr Davies: Perhaps it is not necessary to have it in front of you.

The long and the short of it under section 29 is that a lot levy for school purposes can be made payable at the time a building permit application is granted. If you put this into the context of the development process, this provides the opportunity for some considerable inequities. Here is what I mean by it.

Let's say that you have a plan of subdivision that was registered prior to the coming into force of the act and prior to the imposition of a lot levy bylaw by the school boards. Okay? I am just speaking in the context of the greater Metro area, but if there was a school site in the subdivision, then in all likelihood the subdivider in practical terms was required to sell that school site to the school board at below market value. There was a subsidy that went from the developer of that subdivision to the school board.

The way that is done is that when the subdivisions are approved, there is a condition of draft plan approval, which requires the developer to enter into an agreement with the school board. Such agreement can be satisfactory with the school board prior to the plan being registered. The school boards in the greater Metro area—I am not talking about the ones within Metro per se where there is not as much growth, but certainly in Durham, Peel and York—have required the developers to sell the school sites at below market value and so there has been a subsidy. Some of the cases have gone to the courts and some have gone to the municipal board, in which case the subsidy has been disallowed, but in practice very few of those cases have gone either to the Ontario Municipal Board or to the courts.

What you have in effect is a tremendous number of school sites throughout the greater Metro area where there has been a subsidy that has already occurred by the developer. Let's assume that has taken place. I am sure you have an able staff and you can play with some numbers, but usually the subsidy is at least 25 per cent of market value and often much greater than that. Let me take it another way. In the Durham separate board, they pay 75 per cent of market value. So the subsidy is always 25 per cent of market value. In the case of the York region public board, up until now, in the last number of years, in the southerly portion of the region the school board has paid \$75,000 an acre and in the northerly part of the region has paid \$40,000 an acre. Depending on actual values, the subsidy can be quite substantial, much more than 25 per cent of market value.

The point I am making is that where there are lands which have been developed where a subsidy has, in all practical terms, been provided to the school board, that is one thing to take into account. But then to require lot levies to be paid on those lands pursuant to clause 29(1)(f) amounts to a double whammy, if you will. It is almost like a double charging. Those grants have already provided a substantial contribution and now they are being asked, in effect, to pay again.

Not only is this a double charge, but in many ways there is an element of retroactivity built into the legislation. I think you all will recognize that this is something foreign to our way of government, by and large. The

reason there is an element of retroactivity built into it is because up until December 1988, when the Treasurer (Mr R. F. Nixon) made his speech, the development process worked so that virtually all charges were in at the time the plan was registered. Now what is happening is an additional charge in respect of schools is being made exigible at the time of building permit. I think that perhaps is an inequity, and a substantial inequity, you might want to address.

I can tell you that if you take lands where you have 500 or 600 units, assume a lot levy for school purposes in the order of \$5,000, multiply that times the number of units and then add back in the subsidy that was granted when the lands were conveyed, you can see the double whammy in the case of large subdivisions is going to be in the order of \$1 million without having any problem. That is where there is only an elementary school. Where there is a secondary school on the site, the subsidy in addition to the lot levies can be as much as \$9 million or \$10 million.

I think this is something the committee might want to put its mind to. I think it is the biggest inequity in the legislation and I think it is a spawning ground for potential litigation, in that many of the agreements between the builders and the developers take place many years before the plan is actually registered. You will have agreements of purchase and sale between developers and builders which stipulate who is to pay the levies.

This legislation will intercede. It will come into effect after those agreements have been closed, in many cases, and I think there is the potential for a lot of unwarranted litigation between the builder who gets stuck under clause 29(1)(f) and the developer who has had some form of obligation to pay lot levies. I think that is something which could be dealt with in the committee to avoid the double taxation.

Other than that, I would like to point out an area where I do not think the act works. This is a technical point. If you take a look at the transitional sections, I think sections 43 and 42 have a problem coexisting together. Your staff may be able to explain that away, but under section 43 a municipality cannot enter into a subdivision agreement, "an agreement under section 50 or 52 of the Planning Act, 1983, that imposes a charge related to development after the coming into force of this act." That is an immediate prohibition which is put into place by the act.

The problem you have with that is that under section 42 you have given the municipality, depending on the size of the levy, a year or so to phase in the bylaw. So in my view, given the way section 43 is now written, you run a serious risk of litigation under section 42 and it can be strongly argued that section 43 precludes a levy under section 42 in the interim period. That is an area where you might want to clarify things.

Please forgive me if these problems are obvious and they have been brought to your attention. I have not had the privilege of being here.

Another area was in the previous brief with municipal financial officials, but I would like to support what they had to say. I think I can do it a little bit more technically under section 3 of the act. Lawyers love symmetry and I can assure you I am not saying this just for the sake of symmetry, and I am on my own here. You list under section 3 all of the circumstances under which a levy may be imposed. There are two circumstances which are entirely appropriate which might be added to the list. The municipal financial officials referred to three. I would support at least two of them.

One is the lifting of part-lot control under the Planning Act. What happens there is that a developer—this happens particularly in the context of an industrial subdivision where you have large lots—instead of going for a severance, which is one of the enumerated matters under section 3, can proceed to ask the council to lift part-lot control, which has the effect of granting an immediate severance. However, there is no authority there for the imposition of the levy and I think it would be entirely symmetrical with the scheme of the act to include that.

Second, you do not provide for the imposition of a levy where a development permit is granted under the Niagara Escarpment Planning and Development Act. That too would be an appropriate circumstance, although I think not quite as important as a part-lot control, because ultimately when a development permit is issued under the Niagara Escarpment Planning and Development Act there is also a building permit that is subsequently issued and a levy could be made payable under clause 3(1)(f), but certainly part-lot control and perhaps Niagara Escarpment. I would not make any comment on the parkway belt application.

As far as some of the other things are concerned, I think obviously there will be a shakedown period when the legislation is introduced. Things will have to sift and sort themselves out, but if you compare the procedural scheme of the act, certainly I think it provides an opportunity for a considerably greater amount of fairness to all than existed in the previous regime. That fairness, I think, may have its price and that will be the initial uncertainty when the act is implemented. But in the long run, I think it will be worth it.

The Chairman: We allotted you 15 minutes and we have used about 13. I have questions from Mr McCague, Mr Ferraro and Mr Morin-Strom. I hope they can all be brief.

Mr McCague: Mr Davies, since you are here as a private citizen today, maybe we can get some more advice from you as a private citizen. The inequity that is pointed out regarding school sites is a very important one.

I know first hand of a situation where a deal was made some years ago for a school site and now the person who owns that land is suggesting to the municipality that it exempt the rest of the subdivision, which is considerable lots. Mr Davies may be the lawyer on this one; I am not sure. But it has been suggested to the municipality that it forgo any lot levies on the remaining lots in that acreage.

That is a real problem, because there are several subdivisions in the same boat, where there are no school sites. So obviously one is going to have a substantial education levy, you can say, and the other may have none because there was a site given to the school. It seems to me you may have to work in the other direction, and that is, require that school boards pay market value for the sites they purchase. That is a way. But the purpose of this is that we would not mind a little advice from you that did not cost too much.

Mr Davies: I am here in my own capacity and I would be happy to offer a solution. I think there is an easy solution. I think, in that case, if the legislation were to say that where a school site had been provided at less than market value there would be a credit against the levies of the amount that was, in effect, the subsidy, if you said the school site was worth \$100,000 per acre and the school board forced its previous sale at \$50,000 an acre and the site was five acres, the development would get a credit of

\$250,000 against the levies attributable to that site. I do not think that would be difficult for the draftsmen of the legislation to implement. If they would like to discuss it with me, I would be happy to help out if I can.

The Chairman: You may have a client here.

<u>Mr Ferraro</u>: Thank you for your presentation. It was very helpful. On that issue, I am sure you have heard these arguments before. I do not dispute with you the fact that in many cases land is sold below market value, but is it not a fair assessment in some cases to suggest that developers account for that deficiency, if you will, in the price of the lots, and second, that that school site in itself is a determinant of market value?

Mr Davies: I would say in answering your first point that this gives rise to the ugliest parts of the land development process. The reason is that, because school boards require schools to be sold at less than market value, you have tremendous politicking to see who can avoid the school site. The school site becomes the hot potato. Very often, given the values that we put on education and the fact that we cherish them so much, what happens as a result is that the schools end up on the worst possible sites because you have the more powerful developers avoiding the subsidy through political means.

I do not think the practicalities of the previous system provide an answer. In fact, I think it aggravates the situation.

Mr Ferraro: What about the scenario where a school site will determine the market value of that subdivision? Is that a viable contention?

Mr Davies: I guess that becomes a chicken-and-egg situation. We have an economy which is growing. I think the speech from the throne last spring talked about continuing the prosperity of this province. We would all like to do that and it becomes a chicken-and-egg situation. There are many infrastructure elements that accord value to land. Schools are one of them. The legislation goes a step towards remedying that in taking out the previous inequities. I think that is good.

Mr Ferraro: Should the school boards, once the schools are built, then send a bill to the developer for adding to his market value? I am being facetious.

 $\underline{\text{Mr Davies}}\colon I$ think I said at the beginning I am not here to get into any philosophical arguments.

The Chairman: Good answer. Maybe you should run for office.

Mr Morin-Strom: My point was similar to Mr Ferraro's. I think there is very definitely a market value for families in knowing that they are buying a home near what they think is going to be the school site. If developers did not provide school sites, the market value of their properties is obviously going to be less. As a matter of fact, I question whether the number of school sites that end up in communities—which apparently turns out to be much more than the number of schools which eventually get built—end up being a selling point in those neighbourhoods for people who think a school is going to be built there when in fact there may not actually be one.

Mr Davies: Let's look at this in a realistic light. You have in the development—in this area, anyway—highly fragmented ownership and a situation where you have some very powerful developers.

I am involved in a case in north Woodbridge where the school site is a hot potato. The separate board needs a high school site. When the high school site is provided in north Woodbridge, that will accord value throughout north Woodbridge. It is needed there and the families will require it.

There are major land holdings in north Woodbridge where that school could go, but if you look at the two sites that have been selected by that board, they are the smallest, weakest holdings, and in my view, probably the least desirable school sites.

So yes, they do accord value, but that is not an excuse for the result of the previous system, which is poor planning and a situation where you just get into political muscle—flexing.

The Chairman: Thank you very much, Mr Davies. You have raised some valid points that we have not really explored very well before, and I appreciate your attendance.

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ONTARIO CHAMBER OF COMMERCE

The Chairman: Next we have the Ontario Chamber of Commerce. I see Linda Jackson, vice-president, and Don Eastman, chairman of the economic policy committee. Welcome to our committee. I am sorry we are running a little late, but we will give you your full time. We will just squeeze our own lunch hour. Do you have a brief you would like to have distributed? Yes.

Mrs L. Jackson: I guess you have also fulfilled one of my functions this morning which was to introduce ourselves, so we will move on to our official comments. It is nice to see a few familiar faces on the committee. Let me introduce Elaine Rehor, as well as Don Eastman. Elaine is the assistant general manager of the Ontario chamber; she is with us this morning as well.

I would just like to take a minute to remind the committee members, perhaps even give a little commercial for the Ontario chamber, so you know who we are. We are a diversified association, because we represent 160 local chambers of commerce and boards of trade throughout the province. We also cover over 60,000 businesses, so we would like this morning to be considered—we consider ourselves—as certainly a recognized voice of business. On that basis, we bring you a collective viewpoint rather than one from a particular sector.

The subject of lot levies was debated at our annual convention in Sault Ste Marie in May of this year and our members from throughout the province then passed a resolution which urges the provincial government not to shift the fiscal responsibility for educational capital costs to municipalities and subsequently to the developer and the new home buyer. That is why we are here today; we would like to reinforce our members' views and concerns. I would like to ask Don Eastman to fill in that information from our economic policy committee and to proceed with the meat and potatoes of our discussion.

Mr Eastman: The mission of the chamber of commerce is the enhancement of economic prosperity in Ontario. We are not here today to express the concerns of any specific segments of our membership, but to express our views on how this proposed bill will affect the economic environment of this province.

Ontario is a great place to live and work. It currently faces some serious problems. One set of those problems surrounds the challenge of maintaining economic vibrancy in a fashion that continues to add to the quality of life for the people of Ontario. We do not believe that an insufficient number of taxes is one of the problems currently facing the province.

Each new tax is a further complication in a world that is already excessively complex. Unless there is a clear need for a new tax, it should be avoided. There are a number of deadweight economic losses associated with taxes, particularly with new taxes. By deadweight economic losses I am talking about the difference between the total costs of a tax to the taxpayer, be that a business or individual, and what actually winds up in the hands of government ready to be used productively, we hope, for the benefit of the province.

These costs include government's costs for collecting the taxes and business and personal costs for calculating and paying, costs above and beyond what actually gets sent on to government.

With new taxes and tax changes, two additional deadweight losses creep in: the cost of education, of learning about the change and all of its accompanying technical issues; and the cost of uncertainty, uncertainty that tax changes will mean that what makes business sense today will not make business sense tomorrow. Uncertainty delays business decisions and makes distant pastures look greener.

Proposed tax changes have costs even if they are never enacted. When tax changes appear to be arbitrary and inconsistent, uncertainty escalates. Let's be honest: We are not all that excited about paying taxes at the best of times, but we are at least more comfortable if the taxes are rational and consistent and if we do not have to worry about an arbitrary tax change suddenly handicapping us relative to our domestic or international competition.

In addition to the deadweight economic losses associated with taxes, taxes serve both to provide revenue for the government and to alter economic behaviour. The first economic law of taxes is that if you want less of something, tax it. It is our opinion that Ontario probably does not want less new housing construction. Let us be very clear that while lot levies are collected from the developers, they are paid by new home buyers. In terms of their life cycle of spending and earnings, most young people buying their first house are as close to the end of their financial rope as they are going to get. Bill 20 shortens the rope on them.

There are parts of Bill 20 that we believe are positive and are an improvement over the current haphazard local lot levies. Lot levies or development charges are appropriate for those costs, such as roads, sewers and water, that are directly related to servicing new lots. Those costs should quite properly be reflected in new house prices and be paid for by the new home buyer and by new commercial development.

However, we become uncomfortable at the prospect of lot levies or development charges used to finance not just services to land but services for people. In particular, we believe that development charges are completely inappropriate for financing educational capital costs. In effect, the logic underpinning Bill 20 says that new housing creates a need for additional school spaces and therefore the cost of these new spaces should be charged back to the housing increase that creates the demand.

If we can pursue that logic for a moment, some housing obviously creates more of a need for educational spaces than others. Housing directed at those families likely to have school-age children will have a high requirement for school spaces and should face, according to this logic, a high development charge. Housing designed for the tastes and wallets of those without school-age children should face limited or zero development charges as it relates to the educational capital charges. Interesting: Affordable housing gets hit with a big bill while luxury accommodation gets a small one.

Pursuing the logic a bit further, in the interest of being consistent with the bill's premise that those who create the need should pay the bill, when an existing house is sold by a couple without children to a couple with four school—age children we should impose a special educational capital cost levy on the new couple. Perhaps we can simplify the whole process and just impose an educational capital cost levy on new children as they are born.

Pardon us for an exercise in silliness. Sometimes it takes silliness to clarify the principles involved.

In its wisdom, this province decided many years ago that it would provide free access to basic education and that the costs would not be billed, however indirectly, back to the parents but would be paid for through general taxation revenues. We endorse that principle; Bill 20 seriously erodes it.

Taxes should be based on either services received or ability to pay. Except as it relates to the direct cost of lot servicing, Bill 20 does neither. As it stands, it is a tax of expediency rather than one of thoughtfulness. We believe the bill should be rewritten to permit development charges only for those costs directly related to land servicing.

This province does face a major challenge in finding ways to finance services for people in those parts of the province undergoing rapid growth. We believe that positive, equitable solutions for this problem are possible, but that they will have to be found outside of Bill 20.

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Mr Haggerty: I have some difficulty following the scenario presented to us this morning with regard to the educational tax levy. The education tax levy has been with municipalities and taxpayers in municipalities for years; normally it is about a 50-50 base paid for. But education is a service to the community too. I think this is one of the prime areas the government is concerned about, that education is one of the top priorities. Any assistance in that area, getting on with building schools and providing the best education, you might say, of any of the provinces I think is the goal of the government.

Looking at your document, Urban Growth Capital Works Reserve Fund—Lot Levies, section 3 says, "Taxes in new subdivisions are generally already higher than those in older urban areas of the same municipality due to the nature of current assessment." Could you expand on that? Do you have any further comments on this particular area, what you are driving at?

<u>Mr Eastman</u>: At this point, not all areas of the province have moved to market value assessment, so you have areas, where that has not occurred, where the valuations have been based on historical terms. Because a new development is new housing, it winds up being valued, in effect, at current valuations, while the property that is already in place continues with an

historical lower valuation, so you have that bias already in place in those communities.

Mr Haggerty: You are suggesting that perhaps market value assessment would resolve some of the problems in this particular area of taxing property?

Mr Eastman: Traditionally we have funded education partially from property taxes and partially from other forms of taxes. Over the years, we have been trying to move as a province, it was my understanding, to place less emphasis on property taxes generally and more on the kinds of revenue that the province has access to, which are presumably better related to ability to pay than property taxes.

Mr Haggerty: Are you suggesting personal income tax?

<u>Mr Eastman</u>: The province uses income taxes, sales taxes, plus all of the other revenues available to the province. The list keeps growing. Higher taxes.

Mr Morin-Strom: I am a bit surprised at the approach the chamber has taken on this particular bill. My understanding is that usually the chamber of commerce puts a high priority on deficit reduction in the government. When we have a proposal from the government which is going to finance up front major capital expenditures or a larger portion of them rather than putting it on the debt of the government, you are saying, "No, you shouldn't do that financing up front;" that the government should handle it out of general revenue, which is going to mean further pressure on the provincial deficit.

How can you reconcile your position on this particular initiative with your normal priority on deficit reduction?

<u>Mr Eastman</u>: The issue here is not how much you are being taxed, but in what fashion and whether the taxes are collected from lot levies or from more general available taxes; the amount is the same. You then do that in a fashion which makes consistent logical sense, in terms of what your goals are for taxation and what you want that to accomplish. Or do you simply go after something because it is there?

Mr Morin-Strom: So in this particular case you would advocate increases to across-the-board taxes in the province.

Mrs L. Jackson: You are getting it both ways. Either it is coming out of the new home buyer or it is coming out of the population. Is it the left pocket or the right pocket you would like the money from? We are really not here talking about deficit reduction. We could certainly come back to the committee and talk about ways of doing that, but we are here today to talk about consistency in the application of taxes.

Mr Morin-Strom: I think you are looking at deficit increase in terms of what you are proposing, because you want to take away funding of the capital up front.

The other point is: If your contention is that it should come out of general revenue, how can you justify putting a tax burden on the majority of the population of Ontario which does not live in the high-growth area around Metro Toronto and suggest that they should be the ones to pay for these capital costs of new schools particularly that are the result of the strong economy in this area and the number of people who are moving into this area?

Why should we, the taxpayers in northern Ontario, pay for the cost of schools in the growth areas of Metropolitan Toronto? Is this not a fairer solution in terms of who it is who is going to get the benefit and who it is who is coming into this area to get the economic jobs that are being created in this area? I do not think there is any fairness in putting that kind of tax burden on the taxpayers right across the province.

Mr Eastman: I think education is a basic issue in this province and I think the decisions that have been made in this province previously have been very healthy ones. If you want to bill education on the basis of who gets it, if you have new development specific to an area that does not increase the educational load, should that be exempt according to your reasoning? I have some problems with that. I think you have to come back to what is the role of education in this province and how it is legitimately funded. Again, I do not think lot levies are a legitimate fashion for funding education.

Mr Morin—Strom: I think there is quite a difference between the ongoing cost of education, which is a shared, joint burden across the province, versus the extraordinary capital requirements in new areas of the province which are and have been historically funded to a considerable degree by the residents in those local municipalities. I agree that the big burden should not be put on the existing ratepayers in those municipalities. If extraordinary development occurs, that development should pay for the cost of that extraordinary development.

Mrs L. Jackson: But using your argument about why should northern Ontario pay if the development is in greater Toronto, why should people with no children pay if it is the kids who need the schools? Why does that logic not apply to your argument? Why are you taxing new homes? Why is that the basis on which you are going after the additional money?

Mr Reycraft: My question is for Mr Eastman who said, "Lot levies are paid by new home buyers." I think the statement underlines one of the central questions in this debate. I live in the village of Glencoe, 35 miles southwest of London, and Glencoe has about 2,000 people. Homes have always cost more in London than they do in Glencoe. Your statement saying that lot levies are paid for by the buyers suggests, I guess, that if lot levies were to be increased in London, homes would automatically go up in price in London. Similarly, if we were to eliminate the lot levies that are applied in the city, we would expect to see a decline in home prices. It is my view that the prices of homes are much more determined by market conditions than they are by other factors, including lot levies and impost fees.

I am interested in how you explain the statement that the levies are paid by the buyers when the prices, if we take the two municipalities I used for an example, have historically, for ever, been much different.

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Mr Eastman: There are a great many additional factors to house pricing in addition to lot levies. Certainly you have the full costs that are incurred by the developer in supplying the house and the issue of what demand is at any point in time. I think that in the space of a given month or two months, you can well wind up with circumstances where it will be very difficult to see a direct link between changes in input costs—whether they be levies or other aspects of housing—and its price. But as soon as you move into a longer time frame, the decision of the developer to supply and at what price he supplies is very dependent upon what his costs are.

Mr Reycraft: Certainly the major cost that the developer has is the piece of land that he builds the home on.

Mr Eastman: That is one.

Mr Reycraft: Lot prices fluctuate dramatically with the economy and a number of other things. I would like to be persuaded that they fluctuate with lot levies, and I have not seen that. I have seen lot levies applied, and it followed that the real estate prices went up. I am talking about vacant land.

 $\underline{\mathsf{Mr}}$ Eastman: Yes. I do not doubt that. Again, there are a number of factors.

Mr Reycraft: In that case, the lot levy is not being paid by the new home buyer; the lot levy is being paid by the developer or the builder who provided the home for the buyer.

Mr Eastman: You are talking about circumstances where the value of the lot went down after the imposition of lot levies?

Mr Reycraft: It went up after the imposition of lot levies.

Mrs L. Jackson: But the costs went up.

Mr Reycraft: That is right; the costs to the developer went up. But the sale price went up even more to anybody who wanted to buy that piece of property. If the development fee or the lot charge was eliminated, I cannot believe that the price would go down, because other pieces of land in the same municipality are going to determine the price of any given piece. It is market conditions, not the lot levies, that determine the sale price.

Mrs L. Jackson: But it is a factor, and I guess that is all we are saying, that lot levies are a factor in the sale price; if in fact you increase the cost of that land, you are going to increase the cost of that house. What the market will bear is another factor. Obviously, if the builder can sell it for more than the increase in the cost via a lot levy, because of supply and demand factors, the developer is going to get what he can for that land. But it has gone up, and one of the factors is the increase in cost.

<u>Mr Eastman</u>: I would hope that nobody truly believes that in the fullness of time the levies will actually come out of the pocket of the developer.

The Chairman: Mr Jackson and then Mr Ferraro.

<u>Mr Jackson</u>: Do you have any concerns with respect to the imposing of the educational levy for building permits in the development of industrial-commercial sites?

Mr Eastman: In a word, yes.

<u>Mr Jackson</u>: I did not see it in your written brief, and I was surprised because it strikes me that the chamber must be tracking the impact of educational costs to chamber members in industry and commerce, commercial—industrial assessment payers, not only from the point of view of the pooling of assessment—and we now understand its impact on your membership—but now also this levy as well if potentially extended over into that area without sufficient caps or protections.

It strikes me that there are legislatively built—in protections for the industrial—commercial sector because of your political vulnerability: your inability to get business organized to react to a given set of rules that might be invoked by a municipal council, as opposed to, say, municipal ratepayers or home owners who generally have an ability to organize politically and become vocal.

I would like you to broaden an explanation of your concerns with respect to this overall impact of potentially two major impacts on your membership at a time when free trade, inflation and a whole series of other challenges are facing your membership province—wide.

Mr Ferraro: GST.

Mr Jackson: The Treasurer said GST was definitely going to hit the consumer but not the developer and new homes. But as Mr Ferraro has already discussed with us in this committee, it is quite another thing when you come to Ontario and deal with provincial dollars: somehow the developer pays for it but not the consumer. That sort of schizophrenic approach is another example of political posturing. I would like you just to respond to my question and not his interjection.

Mr Eastman: In terms of the application of this to commercial property, there are some concerns about what those charges might ultimately be and how they may change over time. Again, there is the continuing concern about when things do not have a consistency in logic where we do not have direct ties to services received or ability to pay; it places you in an area where things become arbitrary and therefore unpredictable. When you get into that environment, this becomes a less desirable place to be than it should be.

The Chairman: Mr Ferraro.

 $\frac{\text{Mr Ferraro}\colon I \text{ do not normally interject unless I have the last word.}}{\text{No. I am not going too fast. I admonish that previous statement from my friend.}}$

Without going into a dissertation as to the dilemma I have now being a politician as opposed to a previous life when I was a member of the Ontario Chamber of Commerce, a body I thoroughly enjoyed being part of and to this day respect, my question is, did the chamber, in its discussion of Bill 20 and lot levies, essentially deal with whether or not it was going to endorse it, reject it or just reject it without proposing any amendments and/or any indication as to whether or not it approved of some of the elements of the bill; for example, the specification, if you will, of what charges can be laid by lot levies, clarification of front—end financing and indeed the suggestion of leasebacks of schools from developers, thereby increasing cash flow and the utilization of resources to facilitate the tremendous demand?

I would point out to you that this committee, since its inception and during prebudget deliberations, received requests through the school sector in the billions of dollars.

Mrs Rehor: The chamber, when it initially looked at this, looked at it as a group. It was at that time dealing with the green paper on financing. The universe of our chambers in the province has attempted obviously to address the specifics of Bill 20. It was at the green paper stage that our members' concerns were raised. They do not have concerns relative to the hard services, but there is concern with the education lot levies. I think part of that concern stems from something Mr Eastman referred to, and that is the idea of consistency and knowing where taxes are coming from.

There was an article in the Globe and Mail yesterday suggesting: "Shouldn't hospitals have a piece of this action? Perhaps we are overstraining our fire and police services in various communities, and this would be another way of helping those groups." For our members that is something that is a real concern. We can see a lot of what might be deemed potential from a government perspective in terms of how we are looking at funding things. We suspect that funding on the basis of new developments is not the most appropriate way of providing those services within the community.

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Mr Ferraro: I appreciate the comments, but I do share some of Mr Morin-Strom's concerns, quite frankly. Just to reiterate briefly, you have three alternatives, as I understand it, as a politician: you increase the 'deficit, you find new sources of taxation or you increase tax rates. The chamber's position is very well known vis-à-vis deficits; nobody likes paying any new taxes.

On the up side of it, irrespective of the fact that we are going from 75 per cent subsidy to 60 per cent subsidy, the aggregate amount of capital dollars has gone up—and I do not mean to be partisan in this way—from 1985, when it was roughly \$75 million, to now \$300 million a year, and the demand is overwhelming. Quite frankly, I am in a little bit of a dilemma or perplexed as to how the hell I, as a member of this austere body, deal with that problem.

Mr Eastman: In terms of the hard costs, we think this is a good deal; we like what we see in it. Clearly the problem comes in what I term services for people rather than services to land. The province does face some tremendous challenges right now and the question of what is a legitimate way of financing those requirements. We looked at it, and I cannot see that it is lot levies. It may be something else, but it does not look like lot levies because they do not reflect services received and they do not reflect ability to pay.

Mr Ferraro: So income taxes?

Mr Eastman: Perhaps; if need be. Again, the question is not how much taxes but in which form. Just simply changing and saying, "Okay, we're going to catch that from the local level"—

Mr Ferraro: Let's use that for the sake of argument. I will finish with this, Mr Chairman. If we increased income taxes, I suspect that the chamber would be in here giving us hell about that.

Mr Eastman: Certainly.

Mr Ferraro: So how the hell can we win with you guys?

<u>The Chairman</u>: Now that we have got the chamber of commerce in favour of increased income taxes, we may want to let things lie, but Mr Mackenzie has one very brief last question.

Mr Mackenzie: You have made the argument that the lot levies do not relate to services received or ability to pay—which is an argument that was made very strongly yesterday by some of the people before this committee—and in effect, in your point 6, there is a transfer of the costs back to the municipalities once again in a major area of cost in Ontario.

What I am wondering is, in this argument of fairness, has the position of the chamber always been that education is essentially paid for out of general revenue, other than maybe some specific capital costs, or is this any change in position of the chamber?

<u>Mr Eastman</u>: In terms of basic education through what we consider high school as opposed to what we might wind up with at community colleges and universities, to my knowledge, yes. If we look back at the records of the 1800s, I am not sure.

The Chairman: Thank you very much for your presentation. We appreciate it very much and we will certainly consider it carefully.

Now we have Mr Gartley back with us, along with Mr Herrema, the chairman of the regional municipality of Durham. Their brief is exhibit 8, which has already been distributed to you. It was in the material you were asked to bring with you yesterday. We have a couple of more copies if people are missing them. Welcome to our committee.

REGIONAL MUNICIPALITY OF DURHAM

Mr Herrema: Mr Gartley, our treasurer, has been introduced, as you all know. My name is Gary Herrema, the chairman of the region of Durham. We do really want to thank you for allowing us this opportunity to make this presentation.

The region of Durham has had wide experience in lot levies, having used them for the good of the residents of the region of Durham for a long time, working with both local and senior governments at some time and utilizing the lot levies to pay for the services for our expanding area. We worked out a long-term agreement with the Ontario government in the past to assist in paying for a \$170-million project called the York-Durham scheme through the lot levy procedures.

We have used lot levies to tremendous advantage. We have also had experience in going to court on the matter. We do have a detailed knowledge of them. They worked well. They have had to be adjusted from time to time. We are therefore here to make a presentation, a rather brief one. We will not go into all the details, but we are prepared. Mr Gartley is very well experienced in this matter, sitting also on AMO committees, so he does have an overview from outside.

I would like to just begin by making a brief overview.

The region of Durham supports in principle the passage of a development charges act to clarify and standardize procedures regarding the imposition of development charges by municipalities. The region supports the permissive nature of the legislation respecting municipal development charges. Also, it generally views the proposed legislation as providing a greater degree of fairness, certainty and equality in the application of development charges that presently exist.

In addition, Durham considers the proposed legislation to be an improvement over the provisions and proposals contained in the province's green paper on financing growth—related capital needs. Specifically the following differences are supported: the inclusion of a provision authorizing the collection of development charges by upper—tier municipalities for water supply, sanitary sewer and roads services immediately upon entering into a

subdivision agreement; the elimination of provisions respecting the treatment of affordable housing; the provision of a phase—in period.

I will go over quickly features of the bill not supported. We could have made more comments on previous speakers, but we are here to discuss the matters approved by our council to present to you.

Notwithstanding the above comments, the region of Durham is unable to support all of the provisions contained in the proposed legislation. The region considers certain provisions of Bill 20 to be vague, unfair, difficult to implement and contradictory in nature. These provisions are generally as follows.

Definitions: The definition of capital cost requires additional clarification and expansion to enable municipalities to recover 100 per cent of growth—related capital costs associated with new development. The definition, as worded, not only effectively contravenes the essence of the proposed legislation but also places an unfair cost burden on existing taxpayers.

Development charges: Clarification of a number of vague and contradictory provisions dealing with the development charge costing approach—average versus site—specific—is required. We have been to the OMB on that, so we have some knowledge on that. The legislation must clearly indicate that development charge bylaws may impose uniform development charges and/or site—specific development charges at the option of the municipality.

The OMB is empowered to effectively repeal development charge bylaws or amend bylaws so as to reduce the development charge but not increase it. This restriction on the OMB will effectively encourage nuisance appeals and discriminate in the treatment of municipalities vis- \dot{a} -vis developers.

The proposed legislation provides for the passage of regulations dealing with the designation of services for which development charges cannot be imposed. The green paper on financing growth—related capital needs and budget paper E of the 1989 Ontario budget clearly stated that municipalities would be permitted to recover up to 100 per cent of the growth—related capital cost of all services. The fact that some growth—related capital costs will not be subject to development charges contradicts previous provincial statements, contravenes the very essence of the proposed legislation and effectively imposes greater cost burdens on existing taxpayers.

Under the proposed legislation, developers are allowed to proceed with development while the development charge bylaw is under appeal. Such legislation not only encourages nuisance appeals but also places municipalities in the difficult position of expending funds for capital works while there is no guarantee that approval of the new development charge rate will be forthcoming.

Front-end payments: Front-end financing—and we could go into this in detail later on—encourages premature and leapfrog development, exposes municipalities to undue financial risk in collecting funds from subsequent developers and forces municipalities to service vacant lands which may not be developed for some time. While the legislation is permissive, greater protection is nevertheless required to limit municipal liability exposure on collecting from benefiting developers on a best-efforts basis.

It is something like the old farm drainage act; we have to remember that

it takes in a large area and can be almost contradictory to assisting us because if we have to notify everyone where a drainage area of a new sewer pipe is put in, it could well be horrendous. We would like some clarification, which we indicate later on may well be needed to protect us from orderly planning.

Education development charges—we have sent a copy of this brief to our board of education; so it is aware of what we are saying, and we will just make a brief comment on them.

Legislation dealing with education development charges should be excluded from this bill. The principles and definitions for education charges are clearly incongruent with those of municipal development charges. The definition of an education capital cost is broader in scope and the application of education development charge is more permissive in nature.

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Under the proposed legislation, municipalities will not be able to enter into agreements that impose development charges when the legislation comes into effect upon royal assent. This is clearly not the intent of the legislation, and as such, provisions should be made to enable municipalities to continue to impose development charges until the adoption of a development charge bylaw which conforms to the proposed legislation.

This is a quick overview. We did not bring solicitors with us as some municipalities may have, but our treasurer can answer all questions.

I might just make one comment that we do not force the school boards to enter into agreement with us to sell land below market value. That statement was made and Durham region was mentioned and I want to clarify that. That is not one of the provisions of approval of subdivisions in our community. I regret that was made, but it might have been made without the full knowledge of the rules and regulations in the region of Durham.

This is an overview. I will not go into the detail matters but leave it to you, as we did send you a copy, and answer any questions or comments on matters related to development charges.

The Chairman: Thank you very much. I have a question from Mr McCaque.

Mr McCague: It is nice that you agree with this bill when it clarifies and standardizes the procedures, but my assumption or my reading of all this is that really what this bill is all about is the development charges for school purposes, and you have neatly sidestepped that one. I guess I can agree with you that it does clarify and standardize, something for which you have been looking for some time, really housekeeping, but do you not have any recommendation for us as to how to deal with the education side of it?

Mr Herrema: Our concern is that you may not clarify it properly and that they might also implement some on industrial-commercial, which we do not have. We do not have such a levy at present. That is one of our concerns.

The other concern is that if there is not a phase—in, it may have a sudden impact, even though the lot levies in a number of cases do not resemble the cost of the house, it is more what the market will bear.

Yes, I guess we are jealously guarding what we have. We have not gone

beyond that because we found that the cost, as to how far any of us could go in cost-related—there are two words in it. You could suddenly say: "This is what we are going to need. Their proposal of lot levies and the knowledge of what a board of education"—and if you will recall some time back when you were in another government, if I remember well, Mr McCague, and I mean local government. I did not mean to say previous government.

The discussions between boards of education and in your case the county of Simcoe, in our case Durham region, are rather vague and very seldom held. One of the reasons we do not want to proceed with that is that they see it as a milk cow that is very seldom discussed with us.

We are afraid that if they go beyond houses and get into what we said, industrial—commercial, which we understand they are looking at—we have suggested that the present method has not worked that badly in Durham, although I realize you are changing the percentages from the province rather drastically. You have still been generous enough. We are not sitting free and easy, but the present system has not served us too badly to this stage.

If we accelerate, there may have to be some legislation on education development levy, but we are afraid that they will go beyond just houses and therefore make it perhaps uneconomic in areas where they may not do it because we have such a demand for new schools immediately.

We are already seeing a move, people going further east and people going north. Of course, you well know how successful you have been in your area. The industry that is carrying a big part of the load not only in taxes, but in creating jobs, may have another detriment in our area by another level that we feel we have no control over at the moment.

The Chairman: Does anyone else have any questions?

Mr Reycraft: Mr Herrema indicated in his presentation that one of his concerns with the legislation was that municipalities will not be able to recover all growth-related costs from development charges. I think you have intimated that they are now able to do that. I wonder if either Mr Herrema or Mr Gartley could elaborate on what growth-related costs the municipality is going to be unable to recover as a result of Bill 20.

Mr Herrema: I will let Mr Gartley answer that. We have identified it in our paper. Mr Gartley, would you comment to Mr Reycraft on that?

<u>Mr Gartley</u>: The definition of capital cost as presently included in Bill 20 indicates certain exclusions. The way our solicitor reads it and the way our senior staff read it, the interpretation could exclude equipment for sewage treatment plants or water treatment plants, for example. The wording is quite fuzzy.

We maintain that even when you are talking about equipment in other facilities, if it is growth-related, whether it is a typewriter or whatever the piece of equipment is, it should just depend on whether growth has created the need for that particular piece of equipment. It should not be excluded from the definition of capital. We are supposed to be able to collect 100 per cent of the capital cost that is required because of growth. As I said, the way they have worded the definition now does not do that.

Mr Reycraft: One concern that the development industry has had with the existing application of development charges is that they have been used by

municipalities for things other than growth—related costs. My sense of reading the background information behind Bill 20 is that the committee, through the process that went on to come to some kind of consensus on Bill 20, there was compromise made by all parties: municipalities, developers and the Ministry of Municipal Affairs.

Is that your view of why the definition of capital cost has been narrowed from the one that you have applied in the past?

Mr Gartley: No, I was not on the Association of Municipalities of Ontario team negotiating with the the Urban Development Institute, the Ontario Home Builders' Association and staff from the Ministry of Municipal Affairs, but I was on the subcommittee providing an analysis on it. It is my understanding that the definition of capital cost was never discussed. I do not believe that AMO gave up the 100 per cent of capital cost as part of the negotiations that took place. Similarly, if I may, the education levy was not discussed in the three or four years that AMO negotiated with the ministry, UDI and the Ontario Home Builders' Association.

Mr Herrema: We and the the Urban Development Institute meet every year. Previous to changes in our lot levy, we identify each item where lot levies are charged against each specific project. They can come over and challenge us or make presentations. Whenever we have increased, except for the last time, we have had a very good understanding. We even froze ours for a number of years. We had a formula as to how we were expanding it and what areas were specifically to be used for lot levies. I might indicate we had a very good working relation with the Urban Development Institute out in our area. We allowed them to audit our books so that they could see that was what related to costs. That is why we are getting back 100 per cent.

Mr Reycraft: I have heard the concern, Mr Chairman, that municipalities have used development charges to buy, for example, fire trucks and that while they provided a benefit to the new development and at least partly were a growth-related cost to the municipality, they also provided a benefit to an existing population and that it was unfair to take the total cost of a purchase like that out of a development fund. It seems to me that the definition or the application of the definition is going to be one of the problems if we expand it.

Mr Herrema: I guess fire trucks are not the responsibility of the region. The clear definition the way we read it, that it might exclude sewage is the main reason we collect it, gave us some concerns. You heard a learned solicitor, here on his own previous to that. They read things their own way and challenge us quite regularly on matters. It just depends on interpretation.

Mr Gartley: Including such things as development agreements.

Mr Herrema: Quite correct. We like to identify it fairly narrowly within the law that you are bringing forward to us, so that we do not get into that argument and debate. Even the Ontario Municipal Board—as I assure you, we have all kinds of lawyers coming to us with their interpretations and suggestions to give you free advice. It might be exactly that.

Mr Gartley: Mr Chairman, if I may for a second carry on?

The Chairman: Yes.

Mr Gartley: In Durham, and most major municipalities that have done

a fairly detailed analysis of the calculation of lot levies, we would try and determine what portion of the fire truck, so to speak, would be for a new development and what portion would be for existing development.

Mr Pelissero: For the wheels?

Mr Gartley: Say it cost \$100,000 and we calculated that 40 per cent was for new development, we would only take 40 per cent of the fire truck into consideration in our calculations. That is true with sewage treatment plants or whatever major expenditure we are going to make for a capital purchase.

The Chairman: You could do that with library books even, I suppose.

Mr Gartley: That is right.

Mr Jackson: Maybe Mr Reycraft will tell us, when he was reeve, what he used to in his county council.

Mr Reycraft: At some point in time, I would be glad to.

The Chairman: Any further questions, Mr Reycraft?

Mr Reycraft: No.

The Chairman: Mr McCague, again.

Mr McCaque: I think the chamber was probably objecting to the fact that fire equipment be included in a charge against new development, but to turn that around from what Mr Reycraft was saying, I know a couple of municipalities in my riding which are now allowing apartment buildings up to eight storeys and therefore they need a fire ladder. That ladder is not going to be used in the old part of town, because you cannot get up over three storeys there. So that is a legitimate charge. I guess what I want to say is that things have not worked so badly out there among municipalities to date so why are we diddling with it now for?

The Chairman: Any further questions or philosophical comments?

Mr Jackson: There is another wide open invitation.

The Chairman: However, I am needed at lunchtime. Thank you very much, gentlemen. We appreciate very much your presentation and we will certainly consider it. Members of the committee should note that as an addendum to your agenda, on Thursday 31 August at 11:30 am the town of Markham will be appearing and on 29 August at 4:30 pm Mr South will not be appearing.

Interjection.

The Chairman: At 11:30 am, right after Etobicoke. Shall we adjourn till 2:00 pm sharp? We have a very solid, tight afternoon, so please be here on time.

The committee recessed at 1215.

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STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS
DEVELOPMENT CHARGES ACT, 1989
WEDNESDAY 23 AUGUST 1989
Afternoon Sitting



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Witnesses:

From the County of Dufferin: Staveley, Ernie, Warden Patterson, Arnold, Chairman, General Government Services Committee; Reeve of the Town of Orangeville

From the Regional Municipality of Peel: Bean, Frank, Chairman Richards, Bob, Treasurer and Commissioner of Finance

From the Ministry of Municipal Affairs: Cowin, Daniel, Economist, Grants and Finance Policy, Municipal Finance Branch

From the Association of Municipalities of Ontario: Hopcroft, Grant, Alderman, City of London; Vice—President, AMO Brick, Doris, Councillor, County of Peterborough

From the Ministry of Education:

Dalzell, Elizabeth, Policy/Legislation Analyst, School Business and Finance Branch

From C. N. Watson and Associates Ltd: Watson, Cameron, Principal

From the Dufferin-Peel Roman Catholic Separate School Board: Meany, Patrick, Chairman Fleming, Brian, Director of Education Reilly, Tom, Associate Director

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 23 August 1989

The committee resumed at 1400 in committee room 2.

DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

The Chairman: Our next presenter is the county of Dufferin. We have with us today Ernie Staveley, the warden of Dufferin county, and Arnold Patterson, the chairman of the general government services committee. Also with us is Jim Hewitt, the treasurer, and Scott Wilson, the chief administrator.

We have your brief in front of us, if you could just lead us through it and entertain some questions when you are through.

COUNTY OF DUFFERIN

<u>Warden Staveley</u>: I would like to thank you very much for meeting with us. It is certainly a first for me to have such an honour. While I know the gentleman to my right personally real well, the rest of you are—it is a new experience for me.

On behalf of the council of the corporation of the county of Dufferin, we would like to express our sincere appreciation to your committee for the opportunity of presenting this brief.

Governments at all levels have at least one thing in common with developers, a dislike for uncertainty. Bill 20, in so far as it is reducing uncertainty, is to be applauded. The unprecedented pace and growth of development in Ontario has made Bill 20 essential.

The following brief is narrow in focus. It does not attempt to address all aspects of the proposed legislation. No doubt, others with more extensive expertise will fill this role. This brief deals specifically with the issue of capital funding for hospitals.

I would like to present to you the chairman of general government services for the county of Dufferin and the reeve of Orangeville, Arnold Patterson.

<u>Mr Patterson</u>: It is my privilege to be able to meet with you today and to talk to you about the Development Charges Act, Bill 20, which has just been passed, and the need we feel that this bill be opened up to allow for raising of levies for hospital construction.

I have a brief here that I will just go through. On page 1, you will notice a little history of the county of Dufferin. Dufferin is a small county by more than one measure, being an area of 557 square miles with a population of 34,452, 15,000 of whom live in the town of Orangeville. Dufferin is in a

state of transition from a predominately rural community based on agriculture to a predominately urban community based on small business, tourism and supplying the labour force required by the greater Toronto area.

Perhaps the most outstanding characteristic of the past three years has been growth. It is pointed out here that the population has increased by about six per cent over this period. Also, a report estimates that between now and the year 2000, the population of the county will increase by more than 35 per cent. These population projections come from this geographic bulletin we have with us.

Page 2 simply tells us a little bit about Dufferin Area Hospital, about its history, its present state and the fact that there is a need for a new hospital. The one that is there now was built to accommodate 70 inpatient beds and it is now asked to meet the needs and maintenance of 113 beds. It is more than 60 per cent over capacity.

Also, there are some statistics down at the bottom. Since the last major addition of the hospital was completed in 1964, emergency visits have increased from 2,025 to 37,000; radiology examinations have increased from 7,500 in 1983 to 29,700; and the number of laboratory units has swelled from something like 80,574 to 2.2 million.

This certainly is an indication that the county deserves and expects quality medical care, and just as clearly, that the present Dufferin Area Hospital is less and less able to provide such service. We feel a hospital is definitely needed, and if we go on to page 3, we look at the challenges faced by the hospital.

This all really started on 15 May 1987. The Honourable Murray Elston, then Minister of Health, announced that \$25 million of provincial funding would be provided for the creation of new chronic care and acute care hospital beds in Orangeville, Mount Forest and Fergus. Dufferin Area Hospital in Orangeville was to receive 18 new chronic care and 19 new acute care beds.

This announcement was followed by formal notification on 22 June 1987, to the hospital administrator, Michael Ord, advising that the Ministry of Health "have earmarked \$20 million for your project. This sum represents the ministry's maximum contribution on a total project cost of \$30 million." This notification was the culmination of literally years of work and planning by the hospital board and staff.

We go on to say that the hospital board of governors then faced the challenge of raising \$10 million, being the local share of the project. The board commissioned a fund-raising feasibility study conducted by Community Charitable Counselling Service of Canada. The study revealed not only an unqualified esteem for the Dufferin Area Hospital's medical services and overall reputation, but an equally widespread perception of the need to update and expand facilities.

Based on responses pertaining to expected levels of giving, the consultants recommended a fund-raising campaign to raise \$3.4 million in contributions from private sources. The campaign was successful. Total contributions and pledges have exceeded \$3.4 million and now approach \$4 million.

The board approached the county of Dufferin for the remaining \$6-million local share. To the county, this request represented by far the largest funding request in its history; \$6 million for one project was greater than the combined county levy for the years 1986, 1987 and 1988.

As you would expect, the councillors debated the issue long and hard. Many different funding alternatives were explored. In the end, a motion carried that committed the county to the \$6 million, to be raised over a five—year period, \$1 million of which would be raised through property taxes in 1989.

The importance of this decision cannot be overemphasized. The effect of adding \$1 million to the relatively small property tax base of Dufferin county was to increase the 1989 county levy by 50 per cent, and this at a time when the rate of inflation is closer to four per cent.

The challenge we have really is that in making its decision, council was influenced in part by the expectation that a substantial portion of its \$6-million commitment could be met by the imposition of a development charge. To this end, council proposed and gave first and second reading to a bylaw financing growth-related health care capital costs.

Growth creates pressures and no community service is more costly than the construction of a new hospital. What better way to help defray part of this cost than by imposing a lot levy on the growth that made the expansion of the service necessary in the first place?

Bill 20 halted this proposed county bylaw in its tracks. To the amazement of council, hospital capital funding was to be specifically excluded from municipal development charges. The question must be asked: What possible reason could there be for excluding hospital capital funding from local development charges when hospital capital funding required the largest growth—related funding ever to face local government?

The property taxpayers need relief and they cannot and will not accept the proposed tax increases on the scale that will be required if hospital capital funding is excluded from local development charges.

Therefore, today we respectfully would request with respect to the impact of Bill 20 on the capital funding for new hospitals, or hopefully recommend:

- 1. Consideration be given that section 7 of the municipal charges portion of the proposed regulations to Bill 20 be deleted. That says really that hospitals will not be included in these charges.
- 2. The municipal share of capital funding of hospitals be specifically included as an eligible item for inclusion in development charges bylaws.
- 3. In the event that the province, because of unstated policy goals, insists on excluding hospital capital funding in general from local development charges bylaws, then the proposed regulations be amended to allow for local development charges for at least those hospitals now in the advanced planning stage. This type of grandfather clause would maintain an expiry date of up to 15 years.

4. In the event that the province will not entertain any change to Bill 20 with respect to capital funding of new hospitals, then the regulations to the Public Hospitals Act be amended to allow for increased provincial funding for new hospitals.

That is our story and we just know that the imposition of the kind of money we need is simply increasing our budget unrealistically and puts a very heavy burden on local taxpayers. We feel that to exclude development charges from new development is in a way not meeting probably the most important goal of our local community.

Mr McCague: The presenters this afternoon are former constituents. They were doing very well until they changed members on them and now they find themselves in a real dilemma about hospital funding.

Interjection: Careful.

Mr McCague: That amused you, did it?

Mr Mackenzie: Pretty accurate, I expect.

Mr McCague: Yes, it was. Even you agree. It must be accurate.

You have put \$1 million on the local levies for this year and it would appear that it is not your intention to carry that through for the five-year period but that its just for one year. Is that correct?

Mr Patterson: No. Really, the intention is to impose each year for the next five years \$1 million at the county level and by investing those funds, hopefully \$1 million will be realized in interest and that will make our \$6-million commitment.

We would see quite a bit of relief in that \$1 million if we could get some levies from the development industry, which is quite active in the area. The forecast for this area for expansion in population is very high indeed—the highest in the province when it comes to counties—for the next 11 or 12 years.

Mr McCague: Is your idea that all the present residents should participate financially in the establishment of a new hospital and that any lot levy you would propose would allow for the new people to use that facility?

Mr Patterson: Yes. They would be sharing in its cost and it would also be abating the amount of money that would have to be raised by the people who have long been residents.

Mr McCague: This is an area that I think we are going to have to address as we consider this bill after the presentations have been made. We have now heard of several municipalities that use specific facilities and levy certain charges in order to raise the moneys necessary for improvements. The developers do not seem to be objecting but the government seems to be saying, "No, you cannot do that." It works out with firehalls, libraries and so forth. I think we have to take a long look at the kind of situation the county of Dufferin finds itself in, and the people with firehalls and so forth.

The odd thing about it is that by this development charges bill we seem

to be trying to stop a lot of the things that have worked. That is not sitting well with the communities in question.

I notice the chairman of Peel has returned. How large is the contribution from Peel towards the Dufferin Area Hospital?

<u>Warden Staveley</u>: There is no contribution from Peel. The only way we would have been able to get a contribution from Peel is if we could have built the hospital for them down in Peel and not have had one in Dufferin. There may still be a contribution, though, from Caledon alone, but not from Peel.

Mr McCague: They have not asked you for one either?

<u>Warden Staveley</u>: There was a small contribution from Dufferin to Peel some years ago.

Mr Morin-Strom: I am interested in this projection the province has recently put out that the county will increase by more than 35 per cent over the next 20 years. Does this impact the size of the hospital you expect to build? Are you really saying that what you want to do is, out of your existing tax base, pay for the cost of a hospital that would serve your current population and it would only be the cost of the additional size of the hospital that would be required because of the growth for which you would like to have the right for the lot levies? Is that your intention?

Mr Patterson: I guess the focus the council put on it, and I think Bob Nixon said this, was that there had to be a local commitment for the building of hospitals. In other words, the province said that it would go two thirds and that one third had to come from the local municipality. I guess there are two ways to get that, either by voluntary contributions or by local government commitment. The other thing we understood was that until the hospital board had that funding in place and knew where that money was coming from, the province would not really put forward the green light to go ahead.

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So with the board working for the last three years to raise literally \$4 million, and the total contribution and the total project cost of \$30 million with the province providing \$20 million, it looked to me like the local municipality, the county in this case, would simply commit itself to raising \$6 million. It was also determined that probably the most equitable way, at least the best financial way, to do that was simply to take on the task of raising \$1 million per year for the next five years. That invested would create almost another \$1 million. That would be the local commitment.

In order for some of that \$1 million on an annual basis to be alleviated, we looked to these development charges by passing a bylaw that would raise money through building permits and severances, so that the \$1 million could be brought down by maybe \$200,000 or \$300,000 on an annual basis. That would lessen the impact against the local ratepayers.

Mr Morin-Strom: The \$1 million a year for five years, is that coming out of your annual budget or are you proposing to borrow?

Mr Patterson: No, that is coming out of our annual basis.

Mr Morin-Strom: You are saying that your current ratepayers are going to pay that up front, not over a series of years into the future. What

would happen in terms of this development charge? Would you be looking at that as only being over the five years as well or would that continue to service expansion requirements, I suppose, up to this 35 per cent increase?

Mr Patterson: Let me put it another way. At present, the hospital has not commenced to put a hole in the ground, but we expect it will. If this happens in the foreseeable short term, we will probably have to debenture the rest of the money we have not already raised. Then that debenture could be put over five years or 10 years. If these charges were allowed, the development charges, then the money coming in on an annual basis would almost pay off those debentures. That way the development industry would be literally paying for the expansion of the new hospital and paying the local commitment.

Mr Reycraft: You indicated that the county at the present time does not impose any charges on new development. What about the lower-tier municipalities in Dufferin? Do any or do all of them have development charges?

 $\underline{\text{Mr Patterson}}\colon I$ can speak for the town of Orangeville. We do have a lot levy in Orangeville, yes.

<u>Warden Staveley</u>: There are lot levies through most of the municipalities.

Mr Reveraft: Do you know if all the municipalities in Dufferin have
lot levies?

Warden Staveley: They all have lot levies, but not the same lot levy.

 $\underline{\textit{Mr Reycraft}}\colon \mathsf{Do}$ you know what the range of lot levies is within the county?

<u>Warden Staveley</u>: There are different lot levies. I am the reeve of the township of Mono and our lot levies have not been changed this year yet. They are \$2,000 for subdividers and \$1,500 for severances. I think that may be increased. There is also an administration charge of \$150 on each severance and \$250 on subdivisions.

<u>Mr Reycraft</u>: Are you aware of any other counties in the province that have imposed development charges for hospitals? Did you look into that before you prepared your bylaw?

 $\frac{\text{Warden Staveley}\colon}{\text{If you are talking about counties, I am not. We are just next door to Peel region and I understand it has quite a large surplus that has been created. I think they are behind me. They could tell you for sure.}$

Mr Reycraft: Mr Bean will advise us of that later, I am sure.

 $\underline{\text{Warden Staveley}}\colon$ They have quite a large surplus that has been created for hospital purposes from lot levies.

Mr Reycraft: But you are not aware of any counties that have such a charge?

Warden Staveley: There could be, but I am not aware.

 $\underline{\text{Mr Reycraft}}\colon \text{Mr Chairman},$ do we know whether there are examples of that anywhere in the province?

The Chairman: We can find out.

Mr Reycraft: I am also interested in knowing how many counties, if any, have development charges, period, that they impose. Of course, I am aware of many second—tier or lower—tier municipalities that do. I know the regional councils do, but I do not know if any of the 27 counties in the province do.

The Chairman: We will get that information for you.

Warden Staveley: We just have to look south into the Peel region.

The Chairman: That may be a good or a bad influence. Any other questions? Thank you very much for your presentation.

There was a little bantering here, but I, as the chairman, want to say this—I may or may not be criticized for it—as chairman, I am a supporter of the government, but I would like to tell you people that Mr McCague is one of the bulwarks of this committee. He is one of the hardest working members of this committee. I will not overdo it, but he has provided us with a lot of common sense over the last couple of years and a lot of background knowledge of this Legislature and this province. Incidentally, he did raise the issue of hospital involvement in this legislation this morning after we heard from the Ontario Hospital Association and after we heard from the Municipal Financial Officers' Association of Ontario. So you have emphasized an issue we want to take a look at, which is the consensus of the committee at the moment, as I understand it.

<u>Warden Staveley</u>: Of course, our new member is Mavis Wilson since the redistribution.

The Chairman: Excellent member, too.

<u>Warden Staveley</u>: We are very proud of Mavis, our representative, but we are very much indebted to Mr McCague. He was our member for many years.

Mr McCague: That is enough of that stuff.

<u>Warden Staveley</u>: Okay. If you need any more good things said about Mr McCague, we will be only too happy to oblige.

The Chairman: You made excellent choices in both cases. Thank you very much, sir.

The next presenter is the Regional Municipality of Peel. The brief is being distributed at the present time. We have Mr Richards, who was with us this morning, and Frank Bean, the chairman of the region. Welcome.

REGIONAL MUNICIPALITY OF PEEL

<u>Chairman Bean</u>: We are going to have Mr Richards, our treasurer and commissioner of finance, present to the committee. We will both be happy to respond to questions, Mr McCague.

Mr Richards: I will not be addressing the brief that is being handed out at the moment. It is a detailed list of summary concerns and recommendations that your staff has. I believe it is appropriate that we at Peel highlight a few concerns and not try to run you through the 30-odd technical style recommendations that you have just received.

Just to put a few things in perspective, the region of Peel is an upper-tier municipality encompassing lower-tier municipalities of Mississauga, Brampton and Caledon. Our population today is about 664,000. It is anticipated that we will reach one million in about the year 2010. It is interesting to note that since the region was conceived in 1974, we have averaged a population growth of 20,000 people per annum which is like adding the average size municipality every six months.

The financial indicators of Peel show our population growth and the challenge that we face to manage that growth. We have had taxable assessment growth at a compound rate of 5.6 per cent this decade. Last year it was 8.9 per cent. Last year alone we had 13,000 new households formed in Peel. Our current budget is approximately \$350 million and our capital budget is \$1 billion.

This significant population growth and the accompanying development pressures tax our ability to maintain existing levels of service for our population. We require innovative financial tools such as lot levies to manage that growth.

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I think it is fair to say that Peel has been among the leaders in Ontario municipalities in being accountable for its lot levies. We report quarterly to council, showing where every dollar of our levies goes. All of our debates on lot levies have been in public and I think it is fair to say we sit here as experts. I do not believe there is a municipality in this province which collects more in lot levies than does the regional municipality of Peel.

Peel is on the record as being opposed to having lot levy legislation introduced. We feel it is only going to be worse than what we presently have in place in Peel. Having said that, we feel Bill 20 is reasonably successful at reconciling the sometimes competing interests of developers, school boards, planners, lawyers, municipalities and the provincial government.

I must give credit to Dan Cowin and Rick Temporale and all the staff who have worked on this piece of legislation, and all the other ministries that have been involved. I appreciate all the difficulties involved and I do believe it will introduce a measure of stability and accountability to the lot levy issue.

I feel this type of standardization does make for good public policy. Having said that, I trust that our comments from this point forward will be interpreted as a constructive effort to improve the content of the bill. My comments are not intended to be exhaustive. Other organizations, such as the one I sat through with you this morning, the Association of Municipalities of Ontario, will all raise excellent points, I am sure, in their reviews.

We recognize that substantial improvements have already been made in Bill 20 and the accompanying draft regulations. I just want to run through some of those to let you know what Peel sees as being the better aspects of the regulations and the bill.

While we do not use front—end financing in Peel, we think it is important that it is in there for those who do and for the developers who so wanted it and wanted it married to this piece of legislation. We do not use it, but we are glad that those who do have what they want.

We are also pleased to see that the regulations—we have received and reviewed them, and our comments incorporate the regulations—allow the municipalities to deliver services in the most effective and efficient manner. To give you an example, we are responsible up here for waste disposal. Right now we have a landfill site. It might be more cost—effective for us eventually to have an energy—from—waste site, recycling or a megasite or a combination of those four. We are pleased we do not have to be tied in this legislation, as we interpret it, to the existing style of service delivery. It is equally important to other municipalities which do not have transit systems but have a transportation mandate. Should a transit system be cheaper in the long run than building more roads, we think this legislation allows transit to be incorporated in the levy.

We also are pleased to see that the time frame for planning levies has been stretched beyond 10 years. When we calculate our levies for sewer and water, we use a 20-year time frame to capture what I call the lumpiness of capital expenditure for major sewer and water plant expansions. If we used a narrow time frame, it would be unduly burdensome or a burden on the taxpayers, so the longer time frames for the regions, at least, which are charged with the infrastructure type of capital expenditures, are very important.

Having put these positive points on the record, I want to point out a few philosophical and technical concerns that still need to be addressed. I have already mentioned the long time frame that we need to plan financially and that we need to calculate our levies. The legislation says that we may levy for the net capital costs. "Net" means you subtract off any moneys you get from the province or other levels of government. It is unfair to levy for something which someone else has already given you the money for.

To use transportation as the example, when we calculated our levies five years ago, let's say, we would have put in, to use an example, \$100 of expenditure for roads and we would have subtracted \$50 as a provincial subsidy. As the province's ability or willingness to fund transportation has declined, we now budget \$100 but subtract, in Peel's case, \$12 of provincial subsidy.

If you understand where I am going, as the provincial subsidy drops on conditional—type programs, the levy must go up. The costs are still there. The net capital costs go up as the provincial subsidy goes down. If we are going to be asked to issue a bylaw which locks in our levy, essentially for five years under this piece of law, and if the province continues to drive down conditional funding on the very capital we are levying for, we are going to be left with a shortfall.

We would welcome any efforts by the province to extend the stable financial planning environment evident in this bill to the broader provincial—municipal financial relationship. Perhaps the provincial—municipal financial arrangements being co—ordinated by Mr Nixon's parliamentary assistant, Mr Polsinelli, will improve this current state of affairs.

We are also concerned and somewhat puzzled by the decision to use commercial development charges to finance school board capital expenditures. In many ways it is none of our business, but the Treasurer has voiced his support for the user-pay principle. We find it difficult to see how the commercial sector is a direct user of the school system. It is relatively simple to demonstrate the correlation between residential development and pupil spaces, but it is not possible with commercial development.

I would urge the committee, as I am sure others have done and will do, to pursue this inconsistency. To commit to this course of action is to send a message to me and all other municipalities that there are two sets of rules here. When they are setting their levies, the municipalities have to be fair and consistent. If you are the province setting a levy, in this case for schools, you can do whatever the hell you want.

We are also concerned about average versus site—specific costs. We require the option to establish development charges on the basis of average capital costs over a large time frame and all the population base. If you consider regional services which are infrastructure types of expenditures, we cannot say what little landfill site one particular development might require, nor can we tag one small development with the costs of sewer and water plant expansions.

If we use the site—specific, and I know I am using kind of buzzwords here, but if we tried to say this one small block of residential development is an infill, let's say—it is developed all around—the developers will come forward and say they do not have to spend anything on sewer, anything on water, anything on roads, they are all there. But as soon as the plant capacity is full, the next poor developer is going to get stuck with a \$25—million expansion.

I think that is going to be contrary to what the development community wants. All the cases and the whole theory behind levies is to average them, and we see nothing in the legislation or the regulations which gives us comfort in that regard. We are confident that it will be in; we are just urging it to be very specific and clear.

Peel would also like to draw the committee's attention to the treatment of hospitals under Bill 20. You have probably had enough of it today, but I guess you are going to get some more.

Since 1980, Peel has contributed \$42 million towards capital costs related to public hospitals. These dollars are paid to the hospitals in the form of a grant to cover net requirements after provincial subsidies and after private donations are taken into account. Development charges have been used to raise \$27 million of the \$42 million in Peel. Between 1990 and 1993, Peel's capital forecast requires a further contribution of \$51 million.

Until I received the draft copy of the regulations of Bill 20, it was my understanding that the province intended to disallow development charges for capital costs of hospital buildings. If you now read the regulations, as I did, I was pleasantly surprised to note that section 7 of the regulations seems only to disallow charging a levy to hospitals. It does not disallow including hospitals in the levy.

If this is not the intention of the regulation, then the wording of section 7 should be clarified. If development charges relating to hospital buildings are to be disallowed, which is what your budget states, the province may be forced to choose between downgrading its strategic plan for hospital capital construction or making up a possible funding shortfall. It is not beyond the realm of possibility, at least in Peel, that some municipalities may be forced to simply get out of the business of funding hospital capital construction.

If the province has not fully considered the financial impact of a decision to disallow hospital development charges, I can tell it that the

impact is substantial. Peel would be forced to raise mill rates 32 per cent above planned levels in order to meet the shortfall on a cash basis, if, indeed, Peel chose to continue hospital financing at all.

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I would urge the standing committee to bring this important matter of hospital development charges to the attention of Mrs Caplan, Mr Nixon and Mr Sweeney. Peel is certainly open to any mutually beneficial solution to the hospital financing issue. Peel's council has requested a meeting on this issue between the province's representative and the chairmen of the regional municipalities which presently have development charges for hospitals. We anxiously await a response. I am not aware of any such response being forthcoming.

Under section 5—and we talked about it this morning—refunds upon successful appeal of a development charge are payable by the municipality, plus interest, retroactive to the date a bylaw was passed. If the Ontario Municipal Board reduces the development charge on appeal, the municipality will have to make up those funds. This process of providing refunds is awkward when you consider that many regional services have to be provided in advance—sewer, water and waste sites, for example. Municipalities such as Peel will find themselves in a situation of paying refunds for services already provided. The only option is to maintain debt capacity, which means deferring capital expenditures. We discussed that this morning.

We acknowledge that the appeals process is a fair and perhaps even necessary element of the bill. We also note the presence of a time frame on launching such appeals. We would extend the notion of a time limit to include the OMB's decision—making process dealing with appeals. We think that limiting the OMB's time frame would give us much more comfort and would ultimately be to the benefit of all developers.

Peel collects approximately \$30 million a year on levies. Last year I believe it was \$30 million, and the year before that I believe it was \$35 million. Over a two-year time frame, which it might well take the OMB to rule on an appeal, in the worst case, if the OMB were to eliminate them all, we would have \$60 million to find somewhere. I simply do not know where that money would be found.

As requested, I have left a brief with the committee that lists more exhaustively than these comments our suggested amendments to Bill 20 and the draft regulation. I would like to take this one final opportunity to urge the committee to carefully consider the main issues of Peel's presentation: the appropriateness of using commercial development charges to finance schools; the need to permit hospital-related development charges if the current municipal-provincial partnership in health services is to prosper; the necessity of a time limit on the OMB decision-making process; and the need for the option to establish a development charge on the basis either of capital costs or site-specific capital costs required to meet the needs of development.

Those are a few comments from Peel. We could go on probably for days, because we are at risk with this piece of legislation. We also feel that we have something to offer. We hope that what we have left you serves that purpose and that these few comments have as well.

The Chairman: I am sure they have. I would point out that Mr Cowin from the Ministry of Municipal Affairs is here, of course, taking notes; Mr

Polsinelli is Mr Sweeney's parliamentary assistant; Mr Reycraft here is Mr Nixon's. It is quite understandable, because of the way we were playing musical chairs, that you might not have grasped that. Are there any questions? You must have covered things really well. I see Mr McCague and then Mr Ferraro.

Mr McCague: I would not want to let Mr Bean down by not asking a question. However, I do not want to ask him one.

Chairman Bean: I guess he is afraid of the response.

Mr McCague: I am afraid of the response.

Mr Richards, this morning you spoke to us along with Mr Gartley. The point I want to get around to is the comment you make and that Mr Gartley made, and whether there may be a difference between what the regions are saying about Bill 20 and what the rest of the province is saying about it. Did you sit on the ministry's advisory committee when Bill 20 was being conceived, or whatever the word is?

Mr Richards: This piece of legislation has been in the mill for about five years. I have written, spoken, worked on it over that entire five-year period, as has my predecessor at Peel. That particular committee I did not sit on, but I worked closely with the other regional treasurers, who have. I guess that is the answer.

Mr McCague: The point I am trying to get at is: Does it so happen that this bill gets slanted towards the regional municipalities in Ontario without the same input having come from the counties, for instance, of the province? I do not think to date we have heard much from the counties, from the same perspective you bring to it; not forgetting that we heard from Dufferin on the hospital side of it and will hear from the Association of Municipalities of Ontario later this afternoon. Have you any comment on that?

 $\underline{\mathsf{Mr}}$ Richards: The short answer is that we know levies. We use levies and we have the growth.

Mr McCague: Very well you use them, yes. Somebody mentioned this
morning a city hall that got built with levies. Where was that?

Mr Richards: Not in Peel region. Our city hall regional building cost \$8 million; it was debt-financed and the debt was just paid off.

Mr McCague: You do not know where the one was that was built with levies?

Chairman Bean: I am not sure, but it might be Mississauga.

<u>The Chairman</u>: That question should have been put to that witness, Mr McCague, and it was not.

Mr McCaque: I forgot that this morning. However, you see this bill as having the same application right across the province as it does in Peel. You answered by saying you knew the business. I know you know the business.

Mr Richards: I think it is a question that Peel adds the size of a county every year or more, a small-sized county. If they do not have the capital expenditure, if it is renovation, if it is replacement and they do not have the massive infrastructure growth which regions were created to handle,

then they do not have the need and they should not use levies. If there is growth, however, and you are trying to protect the existing community from the financial impact of that, it makes sense to us and I guess to all the people who are presenting on behalf of regions and associations that levies are used.

I think the development community is in favour of levies, to be honest with you, if they are done in an accountable way, if they are done up front and if they have some certainty. Just as we have problems in an uncertain economic environment, where one day we have unconditional grants and the next day they are frozen, one day we have 50 per cent funding and the next day we have 12 per cent funding, I think developers, the ones I have talked to, and they are big in Peel, can live with them if they know what they are getting into, for how long and if they feel they are being treated fairly. If this bill gives them that comfort and does not hammer regions and the taxpayers, I think it is not a bad piece of legislation.

We are already on record as saying we think we are fair, at least as fair as this bill, and we think we are accountable. We did not really want it, but if the reality is that it is going to be here, we would like to work with the committee and make it as good as it can be.

 $\underline{\text{Mr Ferraro}}\colon I$ am a little confused here. It is your understanding, and correct me if I am off the mark, that this bill would not prohibit the allocation of lot levy charges towards capital construction for hospitals?

Mr Richards: The regulations, as I read them, say this: "A municipality shall not impose development charges with respect to services provided to a health care facility," so with respect to Peel's services, sewer, water and roads, we may not impose a development charge to a health care facility. That is how I read section 7 in the regulations. If that is not the intent, and I suspect it is but hope it is not, then we may not levy a hospital, we may not charge it a levy—

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 $\underline{\mathsf{Mr}\ \mathsf{Ferraro}}\colon \mathsf{With}\ \mathsf{respect}\ \mathsf{to}\ \mathsf{the}\ \mathsf{services}\ \mathsf{to}\ \mathsf{provide}\ \mathsf{that}\ \mathsf{facility},$ you cannot—

Mr Richards: That is not what it reads, though. It says, "A

municipality shall not impose development charges with respect to services provided to" a facility. It is like saying a municipality shall not impose development charges with respect to services provided to a church.

<u>Mr Ferraro</u>: That was my next question. Should there be any other exemptions?

Mr Richards: This is an exception. I would put forward churches.

The Chairman: Do you have any comment, Mr Cowin?

Mr Cowin: I guess section 7 shows the importance of a preposition, because I think the interpretation is plausible, given the preposition that is there perhaps, but what was intended was that you could not propose a levy to recover the capital costs of a hospital facility. I suppose we might give consideration to changing "to" to "by." The idea was never to exempt hospitals from paying levies but was rather to ensure that a municipality did not impose a charge to capture the capital costs to construct a hospital.

<u>Mr Jackson</u>: It will be our little secret that it is your fault that that loophole is now closed.

Mr Cowin: This is not the first time we have heard it, actually.

 $\underline{\text{Mr Richards}}$: We had a feeling that might be the case. We are not surprised. However, that gives you and us a different problem.

Mr Jackson: Thank you for an outstanding brief. Obviously a lot of thought went into the details, and of course we will have to take this and absorb the other details, but I would like to ask you some general questions to get a feeling for your presentation on the general issues.

I get a strong sense that you would like the levy proposals to include provisions for hospitals. In specific terms, where do you stand with respect to the levy for educational purposes? I do not get a strong sense of where you are coming from on that. Has your council had a resolution, and if it has had a resolution, what was it? Have you embraced the AMO resolution? Where do we go with that? Where do I get a sense of that from Peel region?

Mr Richards: Someone this morning said the municipal-school board relationship is a bit of a partnership: "We will stay out of your hair if you stay out of ours."

Mr Jackson: You are starting to sound like an elected person, Mr Richards, and you have been doing real well up to this point.

Mr Richards: I have gone as far as, I think, Peel council's position is with respect to the consistency of charging commercial—industrial for levies. Peel council does not really have a position with respect to the charging of school levies one way or the other. I know they are concerned about the province using many different sources of revenue that were once municipal: the tire tax; the corporate concentration tax; and now something which—If I went back five years, the province has always looked askance at levies. They thought they were used to build office buildings and fancy city halls. Now suddenly they are so aboveboard that they can be used to finance the keystone of this government's mandate. I am confused.

 $\underline{\mathsf{Mr}\ \mathsf{Jackson}}$: I do not think you are that confused, but I enjoy your answers.

I am a bit concerned. I appreciated very much your point about this bill stabilizing the financial terms under which we interact with developers and their charges, as contrasted by the relationship with the provincial government.

A concern I have from the educational perspective, if we are going to use these development charges to help finance, is that on the one hand the government brought in the legislation to include charges for capital construction of our schools, but it also reduced the grant rate and it can continue to reduce the grant rate. Of course, those are average grant rates, as you know, because in the labyrinth of grant formulae for school boards across this province not everybody is getting the 75 or the 60 per cent level. Some are getting grants at 20 or 30 per cent because of a variety of factors.

Do you not have a fear that the amount of contribution required of a developer, in the educational panel alone, could grow at an extremely fast rate, given that it appears, given your example of provincial mandates, that the pressure to build schools is greater right now than the pressure to build roads, because they have the greater Toronto area tax, thanks to a few regional chairmen who met privately, and a few other things. But do you not sense that that is a major political hornets' nest? This committee itself has received briefs from school boards talking in the billions of dollars.

Mr Richards: We are concerned that the development community, with which we have a bit of a partnership, can only do so much and that if we ask them to now start to fund through a levy—I will digress a bit; there is no clear argument about exactly how those levy charges work their way through the economy, whether it is house prices, development profits or the price of raw land. But as the levy is seen as the panacea, we are afraid it will simply erode the traditional means of financing and more and more will become a municipal responsibility; municipal in the sense that it is a local tax base that is going to absorb the price of it.

Eventually, if that trend continues, our ability to respond to what we see as our pressures is going to be limited. If the tax base continues to fund other people's priorities, we are going to have less and less of it to fund our own. I think municipalities really strive for some autonomy, and it seems with the trend of provincial-municipal relationships the autonomy is getting eroded.

Mr Jackson: If I may have a very brief final question on that point: We have had presentations with respect to the concern over the relationship between school acquisition up front and development charges in the planning stage when they are at city hall and not even near a school board. Then you send the plans down to the school board and you ask them, "Do you need a school?"

It strikes me that city planners are not really that much involved in terms of advice, counsel, the partnership you speak of. It is sort of one element of the loop: You let go of the plans, you send them down to the school board and wait for them to come back. Several developers have said, "Look, if you're going to open up this bill in this area and you're going to deal with these kinds of issues, how can we avoid situations where school boards see an opportunity to acquire land at a reasonable price?" because they have a fund to finance it, and then at some point later on dispose of it.

I, myself, was a trustee for 10 years. In my last year we disposed of six or seven school sites. We never even built on them; we just had them

corralled from years ago. Developers are raising questions about not only having to free up land that may or may not be required some day in the future.

I may be asking you to get into an area that you are not as conversant in, but I am getting concern from that community that that might even be of help, if we could limit the acquisition of property for school purposes beyond what we really feel would be our needs. Maybe this committee should be looking in this area, to sort of minimize the impact in a small way for the development community.

Mr Richards: I just read something recently which I think supports what you are saying. We had, I believe, in Peel—and I am not an expert in school board financing—an arrangement where the developers would sell land to the school boards at less than market. I think that was hammered out over time and showed this partnership that developers will create with municipalities and school boards if the dialogue is positive. Now that this levy has come into place, I believe that that deal is off the table.

Again, I am not an expert and you can sure ask the questions of the school board people when they appear, but the more an upper tier, or in this case the province, starts to interfere with existing relationships, the more things are going to change. I cannot really answer the question on land banking and what all that means. I walked in and I think I was hearing an answer on the selling of school property; I have to confess I did not understand.

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Chairman Bean: If I may, Mr Jackson, I think you are going down an interesting path. In recent months in Peel there has been an increased relationship and dialogue between our boards of education, the development industry and indeed the province. Both chairmen of our boards have been down to the province having these discussions. Might I suggest to you—I think this is what our treasurer was saying as well—that in the midst of these discussions sometimes hurdles are imposed by the province and then that partnership becomes more tenuous.

In the same manner I might say to you that the regional chairmen meet regularly with various members of cabinet including the Treasurer (Mr R. F. Nixon)—indeed, we are meeting with him next week again—on the whole philosophy of partnership. Our great concern is that while we are trying to negotiate these kinds of things and find some compromises and indeed some common ground, it becomes difficult when impositions are there and some of the legislation; even if it is in draft, it inhibits some of these relationships. That is the concern we will talking to the Treasurer about. I think the communication can continue between the area planners and school boards and developers, but you are taking away some of their flexibility and we are not sure that is a positive thing.

Mr Jackson: Mr Chairman, I appreciate you letting me pursue this line of questioning; if I could summarize very quickly. Having had an extensive background in school board politics, municipal politics and urban planning, it strikes me that we have impediments to school boards and municipalities doing joint community—based capital construction. We get into basic turf wars between library boards, which do not want to be on a school site, or the recreational department, which really does not want to be on a school site. Yet the savings to taxpayers and the potential pooling of community—based resources would allow us to build more facilities with a greater rate of utility.

If you maximize your utility, you are basically into user fee if the whole community is paying for it. What disappoints me in the legislation primarily is that it starts at the midpoint in that; it does not start right back at the beginning with the planning stages to say, "There must be a partnership with the school board." If you are going to use all these community—based arguments to provide for growth, it strikes me that the relationship between the city, or in your case the region, and the regional school board must be in harmony in terms of those and that we can do more with fewer dollars. Otherwise, it is just a grab and it will degenerate into the province offloading more, and at some point the municipalities will say: "That's it. I'm paying \$7,000, \$8,000, \$9,000 in property taxes, which means I have to make \$18,000 income in order to pay \$9,000 property taxes. I can't afford it any more."

I thought we might have a chance to look in those areas.

Chairman Bean: If I may, I can give you one example, Mr Jackson, where it can work very well. In Mississauga we have a recently opened theatre called the Meadowvale Theatre, in the western section of Mississauga, built on a school site in co-operation with the school. The school is using the theatre as part of its programs during the daytime and the community is using it at night. It was a joint venture with a lot of private fund-raising. These things can happen if you let them.

Mr Reycraft: Mr Richards, I listened to your concerns about the use of net capital costs in determination of lot levies. The principle behind that is that developers should not be asked to pay, part of a lot levy, costs which the municipality is compensated for through some other means. I do not think anybody argues with that principle. Your concern is lack of predictability about it. If it is not done that way, how should it be done? How should that principle be maintained?

Mr Richards: I think what will happen is treasurers always wear blue suits and have their hair cut short and are a very conservative bunch, so what we will do is pick the lowest defensible provincial subsidy ratio, and effectively the levy will be higher than it would need to be if there were certainty. It is not different from the stock market. If you are uncertain about what the company is doing, the stock price goes down. If we do not know what we are going to receive in subsidy and if I am looking at, to use the example of transportation, an estimated provincial subsidy rate over 10 years and am defending that to our developer friends and to the Ontario Municipal Board, I am going to build my case so that the subsidy ratio is not 50 per cent. I am going to build it so it is 10 per cent, so 90 per cent of the capital cost is in the levy and the levy is higher.

If it works out to be 80, there are no audit provisions in this act. If I can go in and defend 90 per cent, I will. I would rather go in and have something in front of me that says, "The province commits to fund, X per cent of sewer, water, garbage or whatever over the time frame of the act." Then I have certainty, the developer has certainty and the levy is going to be lower than it otherwise would be.

I am not sure if I am answering your question, Doug, but that is what would happen. You would build the levy in a conservative way and you would, if anything, estimate on the low side the amount of provincial subsidy because that is what history has taught you is correct.

Mr Reycraft: Okay. I see that the newly elected president of AMO has

arrived. I do not want to put us off schedule, but what I was trying to find out was, is there a better way to do it than through this net capital cost provision? How do we make sure that developers are not required to pay, as a part of the lot levy, for costs that a municipality is getting from the province?

Mr Richards: I do not think there is. I think you have to subtract those subsidies. The uncertainty is all part of the game. As long as everyone understands it going in, including the Ontario Municipal Board, that is the cost of doing business.

Mr Reycraft: It was suggested to us this morning in another presentation that the legislation should allow the municipalities to recover 100 per cent of the cost through the development charge and then be required to reimburse the developers when they eventually got the provincial grants and other subsidies on the projects. Is that a workable alternative?

Mr Richards: The theory is good, except that the work is built up front and the subsidies received up front and then the levies are collected over time, so I do not know how one keeps track of all the developers in Peel. You would have to keep track of every developer in Peel—and in Peel's case it is tens, dozens, maybe hundreds—and know exactly what the levy was when they paid, what portion was subsidizable and how much the subsidy was. You would have an accounting system that would create too much government.

Mr Reycraft: You would have to double the treasurer's staff.

The Chairman: Thank you very much. I did allow it to go over a little bit because you people have had a lot of experience and we appreciate your giving us the benefit of your experience.

Indeed, as Mr Reycraft said, we now have the new president of AMO, Grant Hopcroft, alderman of the city of London, assisted by Doris Brick, councillor for the county of Peterborough. Welcome to the committee.

I have briefly gone through the resolutions that you have passed and I do not see anything on Bill 20. I do not know whether that is a good sign or a bad sign. If you have a brief that we could distribute while you are speaking to us, we would appreciate it.

Mr Hopcroft: Yes, we do. Mr Ferguson, one of our policy analysts, has the brief.

 $\underline{\mbox{The Chairman}};$ All right. The clerk can assist him perhaps in distributing them. Congratulations on your election.

 $\underline{\text{Mr Hopcroft}}\colon \mathsf{Thank}$ you very much. It has been a hectic few days now that we are up and running.

The Chairman: I'll bet.

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ASSOCIATION OF MUNICIPALITIES OF ONTARIO

Mr Hopcroft: It gives me a great deal of pleasure to be here on behalf of AMO's over 700 municipal members. Just by way of preliminary comment, the brief which is being distributed right now has a couple of

technical errors in it, and we will be forwarding prior to the end of the week an amended version which contains all of the corrections. When that new brief does arrive, perhaps you could discard the original.

The Chairman: All right. We will do that.

Mr Hopcroft: There are couple of recommendations which are somewhat changed from the way they appear in this preliminary brief.

I would like to start off by pointing out what we consider to be a misperception as to the position of the Association of Municipalities of Ontario on the legislation. I understand that it has been indicated by some in the Legislature that the bill, as it stands, is something that AMO has been after for some time. While AMO has been working with the Ministry of Municipal Affairs and its working group to develop legislation, the bill, as it now stands, does differ substantially from what AMO worked for and was supportive of through those negotiations, particularly in the area of some of the definitions that are contained in the bill and in particular with respect to the education levies, which are some things that AMO has opposed and which were not part of any of the preliminary discussions whatsoever.

I think, in a general way, I would propose to make our presentation by my making some preliminary comments, Doris Brick, our past past-president, would make some comments with respect to the education levies and then I would sum up. We would leave some time, we would hope, for questions from the committee.

The Chairman: Very good.

Mr Hopcroft: I think the first issue is the definition of "capital costs," which I alluded to earlier. AMO's position is essentially that it would like the definition of "capital cost" to be consistent with the definition which the provincial government uses in its own budgeting processes, that is, that it not be artificially limited, as the definition now is, to particular items which would exclude equipment, rolling stock and other items.

Our concern is that many growth—related services that our municipalities provide are substantially composed of equipment. For instance, in a sewage treatment plant, the building, which is really a small part of the total cost of that most essential service, has to be in place prior to development. Other examples which are obvious, I think, are firehalls. They are not much use unless you have a fire truck in them; libraries are not much good unless you have shelves and books in them; transit systems need buses—where those are related to growth.

Our second concern is the issue of general averaging versus site—specific bylaws. We feel that the legislation in several respects does refer to general averaging, but there are other cases where it refers to site—specific bylaws. We would like to make sure that the legislation is clarified to ensure that either general averaging or site—specific bylaws could be passed by municipalities where appropriate.

Another concern—and this is not reflected in the paper as it now stands but will be addressed in our later submission—is with section 8 of the bill. That is the section which allows an appeal to be filed in cases where there is an error in calculation or in application of the charge. I guess the analogy we would like to suggest as appropriate is that of a municipality's passing an

official plan amendment to a zoning bylaw. There is an appropriate appeal period in connection with those types of situations and once that appeal period has expired, the bylaw is final and is not subject to further appeal.

Our concern is that if the legislation is passed as it stands, there could be constant appeals on relatively minor matters, but those minor matters would result in the bylaws constantly being under question, and that could possibly affect the ability of a municipality to act with some certainty on the amount of revenue that has been raised through the levy.

We feel it is appropriate for representations to be heard by a council. If it is convinced that those representations are valid, it has the authority under the bill, as it stands, to make amendments that would rectify those problems. We do not feel it is appropriate for someone who does not agree with council's decision to then submit the bylaw to further appeal when it already may have been through a substantial appeals process when it was first enacted.

I would now like to turn to Doris Brick, who will make a few comments on education levies, and then I will summarize with a few further concerns.

Mrs Brick: Thank you. On the education development charges, as Grant alluded to earlier, it was not subject to the negotiations and consultation that we did have with the province for the past couple of years. However, it appears that it is going to be part of the bill and we do have some concerns. I will just highlight what I believe are the main ones.

The first one is the definition of "capital" for schools. It says "school facilities." Does that include equipment? It is clear for the municipal development charge that it is not supposed to. We feel that it should be consistent, that it is just as important for municipalities to be able to include equipment as school boards. That is not clear.

The other point that is not very clear in the legislation is who will do the collection. It should be clarified. We take it that perhaps the intent is that the municipality would do the collection, but we feel that should be clarified.

With regard to the public meetings for the boards of education, we feel that the municipalities should be notified of those meetings. Because we are going to be the collection agency, we should be able to be informed and make certain that we can—quite often the school board is in a different municipality and will hold its hearing in a different municipality, so we think it is essential that the municipality should be informed about it.

We feel very strongly that whatever rules and regulations are being established for the municipal development charges, the ones for the school boards should be consistent. We certainly hope that things will be changed and clarified, that we will have consistent regulations and the public—not just local councils but the public—will be able to understand the process that both the boards and the municipalities have to go through in establishing their bylaw.

Mr Hopcroft: Another serious concern with the bill is the section which permits regulations to be passed which would limit or exempt certain services from levies or that would not allow municipalities to levy for certain municipal services. Again, that gets back to our concerns with respect to the definition of "capital cost." A capital cost is a capital cost whether it is for a library or whether it is for an arena or whether it is for a road or whether it is for a sewer. Our concern is that could substantially limit the ability of municipalities to meet those local growth—related services that they feel are priorities in their communities. There is not, it appears, a similar limitation on education levies, I might add.

The second concern is that our municipal members have a serious concern that levies should under all circumstances be paid no later than the building permit stage, because any other result could have later home owners becoming responsible for payment of a levy which was not collected from the developer, the subdivider, the builder or whomever prior to their ownership of the home, especially if that development charge is deemed to be taxes. For the protection of the home-buying public, it was felt that levies should be required to be paid at that time.

There is another concern, and this relates to the appeal process, and that is that we feel the legislation should be made clear that if a refund is paid after an appeal, be that either an appeal on the merits of the bylaw or on the calculation of the bylaw, it should be paid to the current owner of the home rather than the developer, the builder or whoever paid the levy at whatever time it was. Presumably that is a cost that is going to be passed along in some way to the home buyer and the home buyer should garner the benefit of any refunds that are forthcoming.

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AMO also has a concern with respect to the exemption from levies for addition of one or two dwelling units in existing residential buildings. Our concern is that whether an additional unit goes into an existing residential building or whether it is a new residential unit or whether it is a conversion from another use, those all place the same demands on municipal services, for schools, for roads, for arenas, for library services and other municipal services. We feel there is really no justification from the service provision point of view for those particular units.

Last, before we respond to any questions, AMO wants, as far as the front-ending provisions are concerned, clarification that letters of credit or some other appropriate means of security could be obtained by the municipality to protect municipal interests and also that there be a 10-year limitation on the liability for the municipality to collect front-ending charges. That does not mean that the municipality would not, or could not in certain instances, continue to pursue collection on a "best efforts" basis of those front-ending charges against levy of the lands, but it would limit the liability of the municipality from continuing for all time. It was felt that 10 years would be an appropriate period.

I would like to thank the committee for the opportunity to present AMO's comments on the bill. As I have said, we support strongly the legislation from the point of view of finally legitimizing lot levies. However, we do have those concerns that we have outlined, both orally and in our brief, and we would welcome the questions of the committee.

 $\underline{\mbox{The Chairman}}\colon$ Thank you very much for your presentation and your very well-documented brief.

Mr Haggerty: I want to thank you for the brief you presented this afternoon. I have one particular area I am concerned about in the "Executive

Summary." Perhaps I should direct the question to the president to find out some further clarifications. It says:

"Education development charges were never the subject of discussion for the working group of AMO and development industry representatives. AMO is supportive of the determination of the Smith commission"—I guess it would be 1967 you are talking about—"and the Blair commission"—I guess that would be 1975 or something around there—"that the municipal revenue base is an inappropriate funding base for the education system. Therefore education development charges should not form part of the bill."

Looking at the Blair commission, that dealt with market value assessment. Is this what you are suggesting in there, that there are other areas of taxation that should be looked at or improved in market value assessment or what?

Mr Hopcroft: I think the thrust of AMO's position is that education should not be levied against the municipal revenue base. We see lot levies as being a municipal revenue base that has developed in response to growth-related pressures and we, I guess, are objecting to the province making use of that revenue base for education purposes which we feel do not belong in the property or municipal revenue base to begin with. They should be funded as a provincial service, because they benefit the whole province, from many points of view, economically and otherwise.

The Chairman: Ms Dalzell has a comment that may be of a clarification nature.

Ms Dalzell: Just to two of your comments, Mrs Brick. The first one related to education capital costs. Just as the municipal side does not include rolling stock, furniture and equipment, the calculation of the charge for school facilities will not include furniture and equipment either. That is contained in the regulations.

Mrs Brick: It is contained in regulations?

Ms Dalzell: That is right, the definition.

 $\underline{\mathsf{Mrs}\ \mathsf{Brick}} \colon \mathsf{Of}\ \mathsf{course}\ \mathsf{we}\ \mathsf{do}\ \mathsf{not}\ \mathsf{have}\ \mathsf{the}\ \mathsf{benefit}\ \mathsf{of}\ \mathsf{having}\ \mathsf{reviewed}$ the regulations.

The Chairman: Do you have the draft now?

 $\underline{\mathsf{Mrs}\ \mathsf{Brick}}$: Yes, we do, but we just received it. We have not even had an opportunity to read it.

 $\underline{\text{Ms Dalzell}}$: It is excluded, just as it is in the municipal side. The second point is with respect to the collection of the charge. Subsection 36(4) of the legislation outlines the responsibilities of the treasurer of the municipality with respect to the collection.

Mrs Brick: I believe on that one we felt there was a need for further clarification.

Mr Hopcroft: That section does refer to collection, but there are earlier sections in the bill that do not specifically refer to an obligation to collect. That was the concern, that there be consistency throughout as far as the language is concerned.

Mr Ferraro: Thank you for your presentation and your brief. I will certainly be looking at it in more detail.

I guess I want to ask a general question. I appreciate, having been a former councillor in my city, what is considered the territorial pie and "keep your fingers out of it." From this perspective now, provincially, we experience the same frustrations when the feds dip their meaty paws into our pie. But the question, just so I understand AMO correctly is, is the position of AMO, "We want access to lot levies essentially for our purposes, but we disagree"—you got that access, quite frankly, as a result of provincial legislation—"with the province now giving the same right to school boards to create what they deem is necessary from their purview"?

Mr Hopcroft: I think the quick answer to that is yes. If I could put a slightly different tilt on it, though, our concern is that education as a draw on the municipal property tax is an inappropriate tax, and to extend that tax by using lot levies to supplement it is inappropriate as well.

To re-emphasize, education is something that in no way, other than perhaps historical accident, is tied to municipal property. People are educated in one community and they go and work and become productive members of society in many different communities. A community may carry a very heavy cost in terms of education in order that its citizens can leave and become productive members of another community. So it is felt that provincial funding of that very important service to the economic development of our province should be funded through the income tax because it is an income— and revenue—generating tool.

Mr Ferraro: What would you say to the many people who have said to me: "I do not think you should be using lot levies to build hockey arenas. I do not use hockey arenas. I do not think you should be using money to build opera houses or ballparks, because I do not use them"? The bottom line of the whole thing is that nobody likes paying taxes. The city of London is in the province of Ontario in the country of Canada, and quite frankly there is never enough money.

I have given this speech before, but unfortunately you have to pay taxes in order to provide services. I appreciate the territorial differentiation in providing those services. You are suggesting we increase income taxes. They would be lined up out the door saying that is not the appropriate vehicle.

 $\underline{\text{Mr Hopcroft}}\colon \text{We feel it is a far more appropriate vehicle than property tax.}$

Mr Ferraro: Is it not something we have to grin and bear?

Mr Hopcroft: No, I do not agree with that at all. I guess looking at some of your examples, if you look at recreation services, those are services our citizens have come to expect to be paid out of residential tax.

Mr Ferraro: I expect my kids to be educated in the schools.

 $\underline{\text{Mr Hopcroft}}$: On the example you used of opera houses, I doubt very much something like that would qualify at all because in most

municipalities—I think in every municipality—it would be an increase in an existing level of service or provision of a service that is not already there.

Getting down to the philosophical basis, our position is and always has been that it is not appropriate that education be taken out of that municipal tax base. We feel that for the education levies to be used as a tool is wrong from the point of view of using one of our limited tools for raising revenue. Second, it is wrong because it is essentially addressing a new tax that is outside the control or the ambit of the municipal council in terms of the totality of the levy as an economic development tool.

Taking my own community, for example, we recently had a recommendation to charge an industrial levy. Our municipal council, as an economic development tool, I think quite legitimately decided that we did not wish to charge a levy for that. As the bill now stands, charges for commercial purposes can be levied by school boards without any input from a municipal council.

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Mr Ferraro: Let me interject. You would object on principle, then, just to use that example, to duly elected boards of education imposing mill rates for the same reason. It is beyond the purview of a municipality to control that, is it not?

<u>Mr Hopcroft</u>: I think it is quite clear that AMO's position is that that should be paid by the provincial government to a much greater extent than it has been before.

Mr Ferraro: I understand.

Mr Morin-Strom: I would like to pursue this education recommendation as well. It appears to me your recommendation is not really specifically about this bill, but it is a recommendation that education should be paid 100 per cent by the provincial government and school boards should get out of the business of raising funds from property tax.

Mr Hopcroft: That is correct.

Mr Morin-Strom: Is that the essence of it?

Mr Hopcroft: That is AMO's position. We are not suggesting we are prepared to have the province give us a windfall as far as property taxes are concerned. That is something there have been some discussions about in terms of tradeoffs. If that were the case, if education were to be removed from the property tax, there would be a legitimate basis for services that are currently funded by the province to be funded through the windfall, if you want to call it that, in municipal taxes. But that is a topic for another day and a lot more discussion.

 $\underline{\text{Mr Morin-Strom}}$: That recommendation is a very noble one and it is certainly one our party has supported for many years. Unfortunately, we are in a position today where we have a majority Liberal government that has not been moving at all to reduce the property tax burden in terms of education costs.

The reality that I think your municipalities are facing is how they are going to pay for these new schools. I do not think the capital costs of those

new schools are going to be paid. There is no indication the Treasurer is going to give in and they are going to fund the full cost of those schools. They are saying in fact that they are going to cut this funding from 75 to 60 per cent. That cost is going to have to come from the municipalities.

Given the choice of where you are going to get the funds that are going to come on a local basis, do you feel it is fairer for that cost to go on to the developments that are creating new needs or is it fairer to have a massive increase, as we have heard from some of the regional municipalities, which could be a 30 per cent or more increase across the board to the existing taxpayers to pay for those new schools? Which is fairer in terms of your individual municipalities, a massive increase across the board to all ratepayers or to put the cost up front on new development?

Mr Hopcroft: I think neither one appears to be terribly fair on the face of it, but the legislation as it now stands quite clearly puts school boards in a position where they have only two choices. They can either substantially raise the mill rates, if they are facing growth pressures, or adopt the lot levy.

Mr Jackson: Or cut services.

Mr Hopcroft: Cut services or put up more portable classrooms. That is not a very palatable option as far as the school boards are concerned. Essentially, despite the fact that there is no reduction in the dollar level of provincial funding, it is a substantial cutback in the commitment of the province to a percentage of funding that it has historically carried. Getting back to our basic philosophical position, it is that the province should be picking up a greater rather than a lesser proportion of that funding.

Mr Morin-Strom: That is philosophical, but the real position in terms of your recommendation is that local school boards should not have a choice, should not have the option of lot levies. Their only option to build schools should be massive increases of the mill rate across the board. Your recommendation here tells us that is what school boards have to do.

<u>Mr Hopcroft</u>: That is assuming the province is not prepared to live up to historical funding proportions. We feel that the province has a responsibility, due to the value of education to the provincial interest, to do that, to increase that funding as required by the very serious growth pressures we have today.

Mrs Brick: If I could expand on that a little, one of the other reasons AMO feels that with the education levy, new development—in areas where you are attracting primarily senior citizens in your new development, and you live in a community bounded by a county school board where you have no school in your community, people who are moving to that particular community will never see the benefit of a levy that is paid for a development charge.

The Chairman: Will there be a new school built?

Mrs Brick: I doubt it where your primary source is with the seniors population moving to your community. Maybe in 50 years that might happen in your community, but within a 10- or 15-year period—you look at levy charges being examined on a five-year basis; usually you project a little further than five years—you may never see a school.

The Chairman: If you are not going to see a school, I just do not understand what your complaint is because they are not likely going to put on a levy.

 $\underline{\mathsf{Mrs}\ \mathsf{Brick}}\colon \mathsf{No},$ the municipality is not putting it on, but if the levy is for the school board—

The Chairman: The school board might.

Mrs Brick: Certainly, in some areas school boards have indicated that they intend to have a levy when the legislation is passed. For instance, I will cite the Peterborough county public school board. That will be levied across the county.

The Chairman: Perhaps Ms Dalzell can help us here, because I would not have expected a school board could do that.

Ms Dalzell: Do you mean an area where there is no jurisdiction or a school board?

The Chairman: No, where there is jurisdiction. Can the school board just automatically put a levy on without any intention of building a school?

 $\underline{\text{Ms Dalzell}}$: You have to have the qualifying statement in section 29. There must be residential development and that residential development must cause you to incur education capital costs. There has to be a projection that the development occurring will—

Mrs Brick: All right, but what about in a case where you would have 18 municipalities and there would be no chance of sufficient development to take place in a given community. Say that of the 18, two of them would never see a school. They would be levied, or are you saying there are going to be exemptions within a school board?

Ms Dalzell: Yes. I think in section 29, if you look at it-

Mrs Brick: That is certainly something AMO has never picked up on.

Ms Dalzell: The school board has the option of designating areas within its jurisdiction where the development charge will be imposed. If perhaps you have an area where there are cottages going up and there is no chance that you are ever going to have any significant pupil population come out of that, that area can be exempted, but not necessarily; it is up to the school board.

Mrs Brick: That is the fear, that the exemption will not take place.

Ms Dalzell: Sure.

 $\underline{\mathsf{Mrs}\ \mathsf{Brick}}\colon \mathsf{I}$ think you will see that it will be across the whole area.

The Chairman: It is up to the school board, though. Mr Jackson.

Mr Jackson: I can tell you, from having been on a county and then a regional school board that represented various communities, some of the growth boards had to pay for some of the nongrowth areas in order to—

Interjection.

Mr Jackson: No, in order to equalize the level of services across it. The principle in this province is that there be a quality of access to our educational institutions, whether it is from northern Ontario to southern Ontario or from the northern end of a regional municipality to the southern. That principle is well entrenched. I concur with your observation. I do not know of a school board that would say: "Look, we'll just charge it in this one little municipality. We'll gang up on that one municipality because it has two subdivisions and may need the school."

Anyway, since the chair has recognized me at this point, my question has to do with a fundamental flaw in the way this is being structured in terms of offloading provincial expenses to the municipal sector. I understand that when a municipality wants to expand its services, it is its own decision to do that. Therefore, it is reflected and for the level of service, the extent of that service, you can tax your municipality and/or receive funds from your capital levies accordingly.

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However, a school board is radically different in so far as it is implementing a lot of provincial mandates, which is different from a municipality. Municipalities do. You have the workplace hazardous material information system and pay equity. You have all that whole gamut that the whole province deals with. But with school boards, for example, the province just announced we are bringing day care into our schools, two whole grade levels, 20 per cent of the school space, in an overcrowded situation in this province; 20 per cent was just added by a couple of politicians who met in cabinet to decide that is going to have an impact.

I guess you are getting a sense of where I am coming from. My concern is that school boards are left in a position of having to simply pass on their needs as opposed to being masters and determining what their needs really are. It frightens me now that we can even go to the other end of the extreme where there is talk of community college programs coming back into the secondary schools, so the province mandates the expanded needs for capital.

In that context, it is very frightening, the implication of allowing the level of provincial funding to fluctuate downward and the pressure on municipal taxpayers upward to get into areas that they have heretofore not been involved in: funding day care capital, literally at 50 or 60 per cent in some areas, and funding—

The Chairman: Is there a question in that?

Mr Jackson: Yes, I am going to get a reaction to these statements.

Mr Ferraro: I thought it was a leadership speech.

<u>Mr Jackson</u>: Contrast that with the Liberal government's recent moves to freeze your transfer payments and the implications all that has in terms of your ability to maintain healthy, strong communities with the added pressures you have.

I think your fears are legitimate. We have not had presentations from school boards, where I want to explore in more detail the fact that they are not masters of their own in this regard and therefore they are going to be

called upon to put those pressures and requests for additional capital because the province gets all the credit but does not have to foot the bill.

Mr Haggerty: This is not the time to have a debate here between members. We could talk about the established program funding and the shortfall that is coming from the federal government in this area. We can talk about the day care policy of the Mulroney government that has not come forward. Let's stick to the issues here.

The Chairman: Let's put some questions to Mr Hopcroft. Do you have a response to Mr Jackson's question?

<u>Mr Hopcroft</u>: I would agree with Mr Jackson's observation. Quite clearly, education levies are being tied to reduction in provincial funding and that is transferring a responsibility from the provincial tax base, be that income tax or wherever the general revenue comes from, sales tax and so on, to the municipal revenue base.

Mr Jackson: Another broken election promise, in other words.

Mr Reycraft: Can I ask a supplementary question in response to Mr Hopcroft's last answer? First of all, he indicated that provincial funding was in decline. Mr Jackson was accurate when he said that the level of funding has been declining; that is true. The actual funding has not declined in any year.

Mr Jackson: I was referring to the transfers to municipalities.

Mr Reycraft: To school boards.

Mr Jackson: No, I was talking to the frozen transfers that AMO has been on.

Mr Reycraft: My supplementary question is out of Mr Hopcroft's response. Is it his contention then that the province should restrict the spending ability of local boards, as it used to do before ceilings on school board expenditures were lifted?

Mr Hopcroft: My recollection is that the leader of the government, prior to its becoming the government, indicated a commitment to increased levels of funding to 60-some per cent of the approved levels. In fact, we have seen the opposite occur, where there has been a decline in the commitment to the approved levels.

Mr Reycraft: Not of approved levels, no.

Mr Hopcroft: The percentage of the approved levels of funding. That is in proportionate terms, but not in terms of the—

Interjections.

 $\underline{\text{Mr Jackson}}\colon \operatorname{No},$ you guys are wrong. You know that. You have increased program—

The Chairman: Order, please. I do not think this debate is getting us anywhere. Mr Reycraft, I think you got an answer.

Interjections.

The Chairman: I think we have exhausted our discussion. It has been a good dialogue, as I think I said one other time when we had a discussion. I appreciate your coming and further enhancing us with your views. We will certainly take them into careful consideration.

 $\underline{\mathsf{Mr}}$ Hopcroft: Thank you for the opportunity to present our brief this afternoon.

The Chairman: The next submission is from Cameron Watson. Mr Watson is the principal of C. N. Watson and Associates Ltd, economists. His presentation is being delivered right now. Welcome; perhaps you could lead us through your presentation.

CAMERON WATSON

Mr Watson: It is getting late in the day and you may be getting weary of listening to comments on development charges, so I will try not to be any drier than necessary.

The brief being distributed is in five sections: first, a page or two on who C. N. Watson and Associates is, in that obviously we are a little less well known than your previous speakers; why we are making a submission to the committee. In section 3, we have some comments on Bill 20; in section 4, we have some comments on the draft regulations; and then, finally, those comments have been picked up in section 5 and summarized. We have some 20 recommendations that appear there.

On page 1-1, "Who is C. N. Watson and Associates?": We are economic consultants. We practise in Ontario and have been based in Toronto for some seven years. One of our areas of specialty is development charge policy studies for municipalities. You will see on page 1 some of the work we have done over the last six or seven years.

We have acted for municipalities in establishing these policies in the case of five regional municipalities, 10 cities, 17 towns, six townships, four villages and nine hydro commissions; some 50—odd jurisdictions where we have been retained to develop development charge policy studies.

These studies are reasonably thoroughgoing documents; we are not paid by the pound, but this is one in particular. It is just worth noting that municipalities have gone to some lengths, over the last number of years, to examine fairly the requirements they face for development charges. It is not a matter of pulling a number out of the sky; it is a documented number.

Over on page 1-2, I note a number of appearances at the top of the page as an expert witness in half a dozen development charge hearings at the Ontario Municipal Board that I have made during the 1980s, etc; various work for developers in this area, for the Association of Large School Boards, the Ministry of Municipal Affairs, and so forth.

With that kind of background, our input tends to be maybe a little nitty-gritty and a little on the specific side, as the people who presumably will be involved in doing some of these studies.

The second section of the brief deals with why we are making a submission to the committee. We are making the brief on our own behalf, not on behalf of any or all of our clients.

I would say, first, that we certainly welcome the initiative involved in producing Bill 20. I think it is long overdue. I read in your transcript of 13 July: "The bill is designed to offer structure and certainty. It is designed to balance the legitimate interests of the key parties in a way which is both fair and workable." My theme is that the balance that has been struck in the bill as it stands is more heavily slanted towards the interests of the development industry than it is of municipal government, which is dependent upon this source for capital spending as a very important financial source.

I think the municipal sector is a clear loser in the process at the moment given the wording that stands. That can be remedied without substantial difficulty, and I think it should be remedied, which is why I am here.

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I think the major new financial risks that municipalities face, together with the inability to levy for particular types of work and the myriad administrative responsibilities more than outweigh the benefits. The primary benefits, of course, are increased security of collection, a broader range of development that can be incorporated and a greater certainty of revenue base.

In the sections that follow I deal with some of the main points. The only other background point I wanted to make is that in my view the system as it stands is working fairly well. We have Ontario municipalities successfully accommodating record levels of growth in the face of declining provincial subsidies for roads, recreation and other services. The system is functioning. The number of appeals to the municipal board and to the courts is very definitely at a lower level and has been at a lower level over the last several years than it was at in the late 1970s and the early 1980s.

As I mentioned at the outset, you have a very substantial number, particularly of the larger-growth municipalities, adopting a policy which is public; it is based upon a reasoned report. Developers and their associations have been playing an increasingly important role in formulating these policies.

Finally, in terms of the statutory basis for development charges, the most recent decision on the matter, the decision of the municipal board in April on Mod—Aire Homes Ltd v Town of Bradford, was a very positive decision for municipalities and certainly blessed the imposition of levies for hard services—sewer, water and roads—and for soft services—arenas, firehalls and so on. That in fact is what municipalities are doing and have done without much difficulty. I think that is the base you are starting from, and any change produced by the act is a change from that particular base.

In section 3, I will just skip through some of the main recommendations; they are fairly limited. I am concerned on page 3-1 first of all with the definition of capital cost. Recommendation 1: I think it should be clear that all potential means of acquiring the use of land, buildings and structures be acknowledged as capital costs, not simply the debenture route. Obviously, facilities can be acquired through MOE financing, which is repaid by user rates. I do not know that that was envisaged in the act as capital cost. I guess it is difficult to say without legal interpretations, but I think it should be clear that all the forms I list—the half a dozen forms—of acquiring capital infrastructure are eligible capital costs.

Second, at the bottom of the page, when we are speaking of interest on borrowing, I think it is important that that be more than simply interest on external borrowing. If a municipality borrows internally from its own funds, that should also be part of the capital cost.

Then over on page 3-2, in terms of the exclusions I will not repeat what you must have already heard in many cases; for example, if you exclude vehicles, and those vehicles incorporate fire trucks, I think the fire station in almost all instances is not as expensive to put in place as the vehicles required to stock it. New development often generates the need for new stations in order to maintain response times, and these stations need to be stocked with vehicles if they are to be functional. That equipment is certainly capital by any normal standard of lifetime or any normal definition; as you are aware, fire vehicles are kept sometimes for decades. It is certainly an essential service in terms of health, safety and insurance. It is a service to land, development and the occupants. So the basis for excluding vehicles in general and fire vehicles in particular eludes me.

I suggest on page 3-3 that if exclusions are to be made, and I think possibly some should, you strike a level of minor capital so that you have not got the typewriters and so on ;n development charges, that you have items of less than \$10,000, for example, some limit. But when you are talking about a \$750,000 fire truck, which is essential and is in a number of instances brought in because you have for the first time in a municipality a high-rise development and you cannot get at it unless you have an aerial truck, do not arbitrarily exclude that.

On page 3-4, recommendation 6, it is a little difficult to interpret the act in terms of what it is authorizing in this regard. I think it is important that it make clear that the use of an average-cost calculation on a municipal—wide basis which yields a uniform development charge is acceptable and it is at the municipality's discretion as to whether it uses this approach or one that relates to site-specific sub-area charges.

I have spent a great deal of time during the 1980s at the municipal board arguing and being involved in arguments over that point. We now have a bill that, from my point of view—I am not a lawyer—still does not unequivocally deal with that problem. There have been literally millions and millions of dollars spent at the board on that one issue, and I hope that out of this process will come a ruling that is absolutely crystal clear.

Over on page 3-5, recommendation 7 deals with a matter you no doubt heard about before. Clause 4(12)(a) indicates that the municipal board is authorized only to sustain or decrease a levy. There are all kinds of reasons why that is not fair. It would certainly encourage appeals in that the appellants are in a no-lose situation. It would certainly encourage municipalities to maximize the levy they go in with. You might as well build in whatever buffer you realistically can in order to guard against a surprise decision from the board. I think it hamstrings the board in terms of dealing with the real circumstances of a municipality.

We just had a case of that nature, the Bradford case, where during the course of the hearing, from the evidence that came forward, it was clear that the levy we went in with was not adequate and that the municipality was in some financial jeopardy. We increased the levy during the course of the hearing and the board sanctioned that, an increase of some \$600 per unit. If the board had not had that ability, there possibly would have been fairly dramatic negative impact on that municipality.

Recommendation 8: That time or some limitation be placed upon a municipality's financial risk position relative to development charge appeals under section 5 and section 8. I am not clear how they might work, but it seems to me that if you can have situations where a municipality is up in the

air, as it were, for a year or two waiting for decisions from the municipal board and the courts as to the policy it has in place, the policy it may have been collecting many millions of dollars on, committing those dollars and perhaps spending them, I think that is putting the municipality in an unfair risk position.

Over on page 3-6 it is just a matter of the way in which service is defined. I think it should be defined broadly.

Over on page 3-7 there is a minor point on the phase—in period and the criterion to be used.

In section 4 of my brief I have just a couple of points, dealing with the regulations which we recently received. My primary concern there is with the matter of standards. I think it is fair that there be some reference to standards, but the suggestion at the bottom of page 4-1 is that the regulations confine the reference to standards to per capita standards capped at the highest level attained in the previous five years.

I think as soon as you introduce notions of quality you potentially ask municipalities to get into what I am calling depreciated replacement cost for existing outmoded facilities, when you know the municipality is not going to put the old firehall into the new area—it has to put the modern day firehall in—and I think it should be entitled to collect from that development what it is going to cost it.

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Recommendation 18 on page 4-3 is, I guess, another technical point.

Those are the highlights we have.

The Chairman: Thank you very much, and thank you for preparing this for us. Are there any questions?

Mr Ferraro: Do we have to send him a cheque?

The Chairman: No.

Mr Reycraft: First, I would like to ask a question that is kind of general in nature. It goes back to what is laid out on page 2-1 of Mr Watson's submission. It was a very comprehensive one and at the outset I should thank him for it. I expect, like most members, I am going to have a little time to digest everything that is in here.

You talk about the fact that the present development charge system has worked reasonably well. I want to ask you about your views on the fairness of the system. Some municipalities have development charges and others do not, so developers and consequently consumers—home buyers—in some parts of the province have to pay the charges. In other municipalities, people are able to buy a home without having to pay any kind of upfront charge for a sewer system or a water supply system or the transportation system or any of those other services that are covered in some municipalities by development charges. While I agree that generally the system has worked well, has it been fair?

Mr Watson: I would have a couple of concerns with what you have just said. Bill 20 is not going to change that at all. Bill 20 is permissive. The present system is permissive. Unquestionably, the vast majority of the growth

in Ontario is subject to development charges. Those charges vary in amount, because the spending needs of the various municipalities vary and because their financial policies vary. That will continue. This bill is not going to change that at all.

The other point just left me. I will leave it at one.

Mr Reycraft: I was asking about your view on the fairness of the existing system of development charges.

Mr Watson: Where a municipality has taken the time to do an analysis, and, as I mentioned, the vast majority of the growth municipalities have done that—not all, and I think that for those that have not there should be some compulsion for them to do so—I think that by and large, yes, it is quite a fair system. I will not trouble you with the appendix, with the methodology, but in going through and extracting costs that do not belong and forecasting and so on, it is done fairly.

Oh yes, my other point was that I guess you are making the presumption that all of the levy or the charge is passed through to the buyer and I do not accept that as reality.

Mr Reycraft: Could you elaborate on that for me?

Mr Watson: I have half a dozen studies that have been done at length on this, and that was the position of the Treasurer in the budget, in a sense, that levies would reduce prices.

I make the simple statement that obviously housing prices in most markets are demand-driven. It is a matter of supply and demand; they are not cost-driven.

You have in the process the land owner at one end—call him the farmer—and the buyer at the other end, and you have developers and builders. In my experience, a portion of the charge is passed back to the farmer. The developer is not going to pay as much for the raw land if it is going to cost him more to bring it to a developable state when he can sell it. Some of it unquestionably does get passed forward to the buyer. It depends upon choices available to the housing market and practice in adjoining areas and a whole host of factors; how long the developer has had the land, etc. But it is not inevitable that every dollar gets passed on. There is no question about that. I have studies we could pile on the table that will say that.

Mr Reycraft: I have another question that really does not come out of your brief, but I would like to ask it because of your experience with the development charges. It has to do with something you said in your first response about how the charges vary from municipality to municipality because the costs of providing the services are different from one to another.

It has been my observation that there is another factor that causes the variation in development charges from municipality to municipality. In some municipalities, the charges are kept low deliberately because municipal politicians who are establishing them know the market will not bear those costs. Is that a reasonable observation?

<u>Mr Watson</u>: I would say it is more reasonable in the north and more remote areas where growth is a little more difficult to come by. I think it is less applicable in the past couple of years. The Brantfords and other areas

that I think maintained levies at a nominal level with that thought in mind have increasingly been saying: "We're faced with \$150-million capital spending program and we simply cannot afford it. If we are going to have growth, we have to pay for it and we have to have a levy that bears a fair share of our capital spending program." So, less and less, I think that is occurring in the growth areas.

Mr Ferraro: Mr Watson, let me echo my colleague's statement about this report. It appears to be very concise and something we will all enjoy reading, I am sure. You have experience in dealing with developers and municipalities, and maybe in the future you will be dealing with school boards, as well. In your opinion you made certain recommendations and so forth and concerns about delays once the bylaws are passed and they are in effect, and there may be, no doubt, appeals to the Ontario Municipal Board and possibly the courts. Is it your gut feeling that with Bill 20 the proportion will increase dramatically, knowing full well, as does just about everybody in this room, that in most cases developers are co-operative with the municipalities, particularly if they expect to do business on an ongoing basis? This is almost implied. But in the larger scheme of things, do you anticipate an acceleration or a greater proportion of appeals?

<u>Mr Watson</u>: I guess there will be a honeymoon period, or the reverse, and there will be some exploration. Whether that takes the form of a couple of major cases or something a little more broadly based, I am not sure, but I am sure there will be a flurry of activity initially, yes. But I would think that would die down, particularly if we get some positive decisions from the Ontario Municipal Board.

Mr Ferraro: I guess what I am getting at is that I thought that the intent of Bill 20, to some degree, was to clarify these grey areas so there would be fewer appeals, but there is apprehension that the exact opposite may occur.

 $\underline{\text{Mr Watson}}\colon$ In several areas, I would be concerned about that, yes. I think it can be dealt with; but if it is not dealt with, yes, I would agree with you.

Mr Mackenzie: I want to go back for a moment to your argument that we are not likely to see costs or increases or lot levies passed on to the purchaser, in housing in particular. Is that your opinion, even in those areas where you have a real and serious problem in terms of affordable housing, where there simply is not affordable housing available in any quantity at all today?

Mr Watson: No, I do not believe, Mr Mackenzie, I made the statement that the charges are not likely to be passed on. I simply said that in all instances every dollar will not be passed on. There will be certain instances where they are not, but I would think that, at the lower end of the market where cost is obviously much more of a factor, some or a greater preponderance would be passed on.

Mr Jackson: That was going to be the way I was going to react to that statement because, having done development in the past, it strikes me that things are so much tighter with the affordable units than they are with luxury units, that the rate of absorption on a \$700,000 home is radically different from one that is trying to meet some sort of target on affordability at \$120,000 or \$140,000.

Mr Watson: Absolutely.

Mr Jackson: Several groups have suggested that one of the flaws in the structure, but not the substance, of the bill, is that it does not make provisions for that. Do you have any comments in that area?

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Mr Watson: The position we have always taken on this dozens of times with municipal councils, and it comes up virtually every time, is that you have two questions. One is the financing of the capital infrastructure needed for growth. Affordable housing requires infrastructure and a contribution, in our view, should be made.

You then have the question of payment to deal with the cost of affordable housing. We see that as another issue. If the municipal council or the province wants to deal with that, we see that as a separate matter. In the meantime, someone has to pay for the sewer, the water and the rest of it. As I said, affordable housing needs those things as much as any other kind.

Mr Jackson: If I could just pursue that, I have a concern about the availability of rental accommodation in growth areas. It is a legitimate concern. It strikes those people who are aware of how municipalities operate their tax structuring, that they get good value for the tax and levies generated for a given apartment building. After all, bachelor apartments and one-bedroom apartments are not going to generate huge numbers of children in our schools. The front footage on the apartment building is equivalent to three luxury homes, for example, yet the equivalent revenue from a tall apartment building for a subdivision, just in snow removal and garbage collection alone, shows you how much money you lose.

It strikes me that it is somewhat unfair that we have structured something that prohibits affordable units which a municipality can accommodate in terms of growth needs, and yet by the same token we are not getting those groups which are a major impediment, a major burden or a major tax to a community's growth. They somehow, in terms of development charges, get off reasonably lightly.

Mr Watson: I missed that. Who is getting off lightly—the larger houses, the luxury homes?

Interjection.

Mr Watson: I think it is a task of whoever is doing the development charge to make sure that the charge to each type of unit is responsive to the demand for services. We endeavour to look at things like the amount of pipe and the occupancy of the different types of units and to vary the development charge accordingly.

Mr Jackson: Will school boards be able to do that in the context of this legislation? That is a question for staff. Would they be able to say this is a senior citizens' apartment building? They are all one-bedroom units and should they have the amount of school board levy reduced significantly or eliminated? Who makes that decision? Will the school board? Are they embraced in the provincial objectives for affordable housing? Will they have an exemption in this regard? How do you read the bill?

Mr Watson: I, frankly, ran out of time, so I just dealt with the

first part. We would normally suggest a levy of 30 to 40 per cent on small apartments, bachelors and one-bedrooms, 30 per cent of the single attached levy precisely for the reasons that you have said. That is the structure that many of the larger municipalities impose. They are not simply saying a housing unit is a housing unit. So there is some recognition of the point you make.

The Chairman: Thank you very much, Mr Watson. Your reputation preceded you and continues. We appreciate very much your giving us this document and assisting us.

Finally, we have the Dufferin-Peel Roman Catholic Separate School Board. We have other copies of their document. It was exhibit 10, distributed earlier. The chairman of the board is Patrick Meany. Mr Meany, perhaps you could introduce the other representatives with you.

DUFFERIN-PEEL ROMAN CATHOLIC SEPARATE SCHOOL BOARD

Mr Meany: This is Brian Fleming, our director of education. The other senior staff members are Tom Reilly, Bill McInerney back here and Michael Fitzpatrick, all members of staff. I will make the formal presentation.

The Chairman: Perhaps you could carry on then.

Mr Meany: I will, as I said, start off and make the formal presentation. I am not going to read this. I am sure you do not want me to. It has been here in advance. I will walk the committee through it as a reminder and when I come to the end, of course, questions will be entertained. Anyone can answer, according to their expertise, which might leave me out of a lot of it.

I begin by thanking you for having us here and letting us make this presentation.

We are, as you probably know, situated in one of the fastest-growing areas of the province. In fact, to dramatize it, we really ought to be building, if all was as it should be, one secondary school and three elementary schools every year for quite a few years into the future. In addition to that, we have areas that are settled and have older schools that need to be renovated to bring them up to where they can provide today's programs. They even have trouble providing the older programs and needs. With all this, we have more than a third of our pupils in temporary facilities of one kind or another. All this is causing great financial hardship and frustrating our efforts and the efforts of our teachers to provide the best education, which is what we want to do.

We have been urging the government for years to try to come up with new and innovative ways of producing capital funds and we think this is one of that type of device. For that reason, we are supporting it, although we have various qualifications.

The local cost is a very relevant and important matter. As you probably know, in growth areas, of which ours is very much one, costs have been going up very fast. Developers who were prepared to make deals in the past and give us land at a proportion of the real market cost are no longer willing to do that. The costs of building are going up too. At the same time, the capital grant plan has not been keeping pace with what has been going on. We see this bill, if properly applied and with certain qualifications, as bringing some relief to the situation, although it is not all of the answer.

We do think the province is very much involved in growth in one way or another. As a board, we do not create it or control it and we think it is unfair that one set of local taxpayers should have to bear the burden. So we would argue that the province, either directly or through some such device as these development charges, should be generating the capital funds related to this growth.

The question of the increase to 40 per cent of capital costs on local taxes is involved here and we think it should apply only to those growth areas, not the established areas with the older schools I mentioned earlier. We think they should continue receiving 75 per cent of provincial support.

We support the bill, yes, in principle, and we support the general thrust. With regard to the various specifics of how it is applied, we generally agree with the qualifications. We would like to see flexibility because there are sudden escalations at times, and over the long period in our area there is considerable escalation, with jumps and spurts.

We agree that the municipalities should collect because they have the machinery to do it and it seems to fit in with existing arrangements.

With regard to affordable housing, however it is defined, we certainly agree—and we ought to because of the kind of board we are—that there is a moral matter here. We think there should be a definition of what affordable housing is. This is related to what Mr Jackson said a few minutes ago, I think. It should be very clearly defined by the province as to what affordable housing is and exceptions or reductions in those areas should be made. However, the board needs proportionate grants to cover, to compensate for, that.

We think something should be done in the interim period. Measures should be taken to protect us while we are accumulating funds from the proposed levies. We have specific suggestions there to do with phasing in and to do with some monetary compensation in the interim period.

Finally—and that is only a summing up, of course—we recommend that the government proceed. We recommend that the affordable housing matter be addressed: that it be defined and regulated carefully. We suggest and propose that the development areas be carefully defined and, as I said earlier, the 40 per cent be applied only in those areas. The interim measures should include a 90 per cent government contribution in the interim instead of the current 75 per cent of market value until such time as we accumulate sufficient funds to handle our needs. We also suggest a phasing in of the 40 per cent for a year, again for the same reason.

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A fine point which you will see here is the fixing of what date the market value should be counted from and the date of the passing of the development bylaw would, we think, be appropriate.

The final conclusion is only to say that all of this has to be seen in existing or proposed government policies that are universal government policies and regulations.

That is what you have found in here and we are open to questions.

The Chairman: Thank you very much. That was very clearly stated. Are there any questions or comments?

Mr Jackson: Yes. Thank you very much. I share with you a concern about the need to house our citizens as well as educate them, especially those less fortunate. I happen to believe that eventually, if not this government, some government will address that issue and these kinds of levies will have to be waived in order to ensure the affordability. We cannot discuss that right now, because the principle that is being enunciated about this bill is that these charges will not be passed on to the ultimate person renting or buying, but I suspect there has been sufficient deputation to indicate that, at least at the lower end of the scale, it will be passed on to those people.

You make a couple of recommendations that intrigue me. One has to do with the deferral for one year. Can you tell me how you arrive at the year? That is recommendation 6.

Mr Meany: When the bill is passed and we are permitted to raise levies, then there will be a period during which, as it looks to us now, there would be a 40 per cent cost or charge on local taxes instead of the 25 per cent to which we have been accustomed. That cuts down the amount of revenue we receive from the province. The staff can maybe correct me if I am not putting this right. We will get into deep trouble during that period unless there is some help.

Mr Jackson: I guess a little bit of knowledge about this subject area is dangerous. When the government announced its \$1.2-billion capital allocations for the four years for the province for schools and it simultaneously reduced the provincial contribution, all that was done on the same day. The response from the government was, "We can build more schools because we have adjusted this," and that is a legitimate statement for the government to make.

It strikes me that if we recommend concurrence with recommendation 6, the government might react by saying, "We'll do that, but it means some of the schools that we let you know we may build we may not now be able to let you build." I think you understand exactly what I am saying here. I guess I have a concern there.

Can you put a finer point on your recommendation so that it embraces both concepts? Otherwise, I can see us recommending that and agreeing to it, but ultimately, four years down the road, we will end up with fewer schools completed from the total announcement which Chris Ward announced earlier this year.

Mr Meany: To clarify, Mr Jackson, are you suggesting that in fact from money that has been allocated to us already that would be the fund from which we would get the temporary assistance, so that we would end up getting no more than we would get anyway?

 $\underline{\text{Mr Jackson}}$: In total dollars, but the net effect would be that you would get fewer schools built.

Mr Meany: Of course, that would not be what we want.

Mr Jackson: I wanted to put that on the record.

Mr Fleming: In addition, I think there was a second assumption announced at the time, and that is that the lot levies would make up for the difference between the 25 and 40. What we are saying within the brief is that that will not be true for some time to come.

Mr Jackson: That was going to be the area I wanted to get into next, because I happen to concur with that, but clearly the government has stated that its intentions were for the current year through to the next four, which is almost five years of capital activity, that you are funded at that rate. Although this committee cannot structure in the legislation what you are suggesting, it can recommend to the government that it consider the impact of that. I wanted to share that with you. Maybe counsel can correct me on it, but I do not think that within this specific bill, which is not an educational bill, we can address the issue you are recommending to us. However, the committee does have the power, if it so chooses, to make that as a side recommendation to the government for its consideration.

Mr Meany: I think I would have to say that we are bleeding so deeply already any further reduction in the number of schools would simply be calamitous. We are at the point of disaster. As to what we really need, the \$300 million for one year is what we need for the next three years.

Mr Jackson: I have had a look at your needs and they really are legitimate, but I guess the underpinning of that, without getting into the constitutional question of Bill 30, is something that—we as provincial legislators, all three political parties, embraced the full funding—further exacerbated your space needs, your capital needs in your schools.

 $\underline{\text{Mr Meany}}\colon$ If I might interrupt for a moment, I do not use the term "full funding" because that has not come yet. We were allowed to complete our system.

Mr Jackson: You and I will be before each other in a committee within weeks to discuss the concept of full funding, but the public has accepted the notion that, in its political sense, you are fully funded for grant purposes, albeit you do not have access to commercial—industrial assessment, which you are referring to. We will deal with that in about four weeks.

At this point, I am simply saying, given that the province has expanded capital demand in francophone schools and in Catholic schools—and potentially, some day down the road, in private schools—we have been struggling with the notion that these are provincially mandated programs to meet the demand increase in the elementary schools for junior kindergarten, all—day senior kindergarten and all—day junior kindergarten and potential expansion at the other end of the system. Do you have any comments with respect to the fact that we cannot even freeze—frame your needs and respond to those, but it seems that those needs keep expanding in terms of program, in terms of how many kids you actually embrace and are responsible for ultimately?

Mr Reilly: Could I respond? I think the fundamental flaw in the argument being put forward may be that the number of students in Peel would not change. Whether they are francophone, Roman Catholic or whatever, the numbers of students out there would have to be housed. The point of our brief is that to house those children is taking an enormous amount of money. You have put your finger on a catch-22. If you increase the leverage, you increase the number of schools. We need a large number of schools, but by doing that you put a crushing burden on the local ratepayers.

What we are saying is that we can go along with this scheme that will increase the leverage, but give us a breathing space to get into the fuller leverage. We realize that leaving a minimal reduction in number of pupil places for a year would be the same thing, and let the local taxpayer catch up

with that. I do not think this is a Bill 30 issue or a francophone issue or any other issue; it is the number of students being poured into a place like Peel and trying to get buildings for them. That is the issue.

Mr Jackson: If I might, I have a final question. It is on that point. The reason I raised Bill 30 is because you are one of the first educational groups to present themselves to us, so in that context what I hope the committee gets a fuller appreciation of is that you have acute needs now before anybody started talking about growth and reacting to it. What you are saying is that the province is now looking at a fund to assist you to get out of your dilemma but you will never be able to get new development to pay for all the growth-related demand that has been pent up over the last whatever number of years. It has only been more visibly acute and politically embraced as a responsibility since Bill 30. Catholic schools have always, by nature, been overcrowded and underfunded. I am not getting into that debate; I am simply saying that we have now accepted the same responsibility for them as we do for the public schools which are in that state.

1630

You talk about catch—up, but you have missed the point. I do not get a sense of what you will do with all that backlog of growth—related demand. Where is that going to be funded from? Are you going to fund new school sites that are strictly as a result of the new lot levies that are imposed? If so, how are you going to build the schools? You have entire schools that are portables where those kids are suffering the same circumstances that we are struggling with in terms of growth demand. There is a gap there. You have dealt with one gap in terms of getting to a funding mechanism. I am asking you about meeting those needs that fall in the middle.

Mr Reilly: I would think the response is that we have a bucket with two holes in it. This may patch one of the holes, but I agree with you that it will not stop the leak in the bucket.

Mr Morin-Strom: Thank you for your excellent presentation, gentlemen. I am quite interested in one of the points that you have made in your recommendations, partially because it perhaps applies more to areas outside of the growth areas than inside the growth areas. That is your recommendation 4, that development areas be defined and that the average provincial share of 40 per cent be applied only in those areas and only to growth-related projects.

This change from 25 to 40 per cent has a big consequence in areas of the province which are not experiencing large growth. It is going to impact quite considerably on the local ratepayers in terms of capital projects to maintain their system and improve their system, maybe to meet provincially mandated day care programs, junior kindergarten, full-day kindergarten, teacher-student ratios and this kind of thing. What is your understanding currently of the bill in terms of how that issue is going to be addressed?

Mr Meany: I do not think it is clear. We are simply saying that there are areas, of which there are a number—my own ward happens to be 100 per cent in one of them—where we have older schools that simply cannot provide the education that we are required to provide today. Various experts have come around to conduct one thing or another and our schools do not have a place to sit and talk to kids individually. We do not have room enough for libraries and for computers and that sort of stuff, all the things that have come around in the past 25 years. We put up another portable on many sites

that cannot hold them, tiny little places such as St James school.

Mr Jackson: You are in violation of municipal bylaws.

Mr Meany: Yes, and we may well be in violation of human rights or something, too, because people are beginning to say: "Aren't we entitled to the same education as others?" We are saying that since we cannot generate this money locally, we do not need this change to 25 per cent.

Mr Morin-Strom: I think this is an important point we will have to pursue with officials from the Ministry of Education, because the potential consequence in these kinds of areas, in fact, in whole communities which are not facing major development, is that they will not even have the right to go into levying for their school boards. So they will not have this additional mechanism to get the 40 per cent. If there are not assurances from the Ministry of Education that their level of funding is going to be maintained, they are going to pay a considerable price to maintain their school system.

The Chairman: It is an interesting idea to be looked at.

Mr Morin-Strom: I would like to pursue one other point that was brought up earlier today and had to do with land values. We had someone, I believe it was a consultant, earlier today who raised an issue about regional school boards in some of the regions, presumably in the growth areas around Toronto, that were mandating land sales at percentages below market value. His contention was that it became quite a political process in which the larger developers which had the political influence were able to avoid having to give this cost break to school boards, while those smaller developers who did not have that kind of influence were the ones getting stuck with having to provide land sites. In some cases, he indicated that he felt the land sites that were being offered were not as good, in terms of the best interests of the community, as what should be available.

I wonder if you could relate, in your experience—yours is obviously a major one in terms of major development, probably the biggest one in the province—what your impression is as to the kinds of land sites you are getting, the arrangements that are being made in terms of the price you are paying for land, and whether there really is a serious problem in terms of development interests influencing whether you are getting the best property or what kind of deal you are getting on the property.

Mr Meany: We do have that experience.

Mr Fleming: If I may, there are no municipal requirements within our area with regard to developers and the sale of land to school boards. The municipalities do, however, expect that we will give our comments prior to their allowing development to go forth.

In return for that, I would say that our experience has been quite the reverse: that the larger land owners, historically, have been the easiest to deal with. It is quite true that when we were paying \$12,000 an acre for land that was valued at almost \$100,000 we were not getting prime sites, but we were getting very good sites. It is much more likely that we would get those sites from a larger than a smaller land owner. So our experience has been quite different.

Recently, though, with the talk of lot levies, where we were paying 75 per cent of market value, we are now finding, as the brief suggests, that more

and more the developers are saying, "You will now pay 100, because you will be picking up lot levies."

For us, that difference is significant. The difference between 75 per cent of market value and 100 per cent of market value for an elementary site in the city of Caledon would be about \$70,000. On the other hand, for a 17-acre secondary site in Mississauga, the difference would be over \$2 million just in that gap between 75 per cent of market value and 100 per cent.

We need a fair amount out of lot levies to break even on the land.

Mr Jackson: Just a supplementary on the land acquisition: My memory is fuzzy but a lot of your previous relationship with development was short-circuited by diocesan acquisitions well in advance of long-term planning within a parish to acquire school sites.

Mr Fleming: Not that I am aware of, quite honestly.

<u>Mr Jackson</u>: In my parish that was quite the norm, and down through the peninsula and the city of Hamilton that was fairly normal. You are a rapidly growing area, but in a more stable growth area that was the vehicle. In those instances, relatively new relationships are being created to deal with developers and so on.

To what extent are there diocesan holdings that require transfer and would there be charges or exemptions? I have not even given that any thought but I do not even know what your inventory is of diocesan properties that have not been transferred to school boards at this point.

Mr Reilly: In the case of Peel, that was claimed not to be the case. The diocesan holdings were not extensive. In fact, in several instances, we co-operated in planning to try to get side-by-side sites and the diocese was buying at the same time the school board was buying. That has existed and I think Hamilton was an unusual place for that happening.

Mr Jackson: And Halton diocese.

 $\underline{\text{Mr Reilly}}\colon$ In northern Peel, it was a kind of hinterland. It was not —

Mr Ferraro: Mr Morin-Strom asked one of the questions I had but I have a supplementary as well.

Just so I can understand this scenario—and thank you for your presentation as well—as it stands now, acknowledging the fact that you are one of the fastest-growing areas in the province if not the country, when you are negotiating the purchase of a parcel for a school from a developer—in this case, let's say a large developer—you were, up until recent days paying 75 per cent of market value. Is that correct? Is that what you said?

Mr Fleming: There would be the odd parcel of land—I am not sure of the percentage in terms of (inaudible)—

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Mr Ferraro: Yes, in the best-

Mr Fleming: —where it would be significantly less.

Mr Ferraro: Okay.

 $\underline{\text{Mr Fleming}}\colon \mathsf{There}\ \mathsf{have}\ \mathsf{been}\ \mathsf{the}\ \mathsf{odd}\ \mathsf{occasions}\ \mathsf{where}\ \mathsf{it}\ \mathsf{has}\ \mathsf{been}\ \mathsf{100}$ per cent.

Mr Ferraro: Thank you for that. My question is, how does one determine when there are two parties to market value?

Mr Fleming: We simply get an appraisal.

Mr Ferraro: You get an appraisal, as well as the developer putting an appraisal on it?

Mr Fleming: Yes.

Mr Ferraro: And then there is an arbitrator or do you knock heads and come up with the price?

Mr Fleming: I suppose in terms of that detail I must say perhaps Michael Hiscott can answer from the back. I am not sure that we have knocked heads all that often. I am not sure that we have involved a jury.

Mr Ferraro: Sure. But there is a mutual understanding.

Mr Fleming: There is a mutual understanding.

<u>Mr Ferraro</u>: That leads into my second question, on the number 7 recommendation that you make, "That market value for land for school sites be fixed on the date of a development charges bylaw." I wonder if you could expand a little bit on that.

Mr Reilly: We have a recent case where we started to negotiate a school site and it was—I shall take a number of \$300,000 an acre. From when we started to the next time there was a meeting, there was a flip and then suddenly the price became—the person actually came in and said \$1.2 million and we thought he meant for the site. They meant per acre. That was the change. We are saying that you need to pin this down somewhere to prevent this kind of escalation.

We have been negotiating another site in the Brampton area, and just within a few months, the numbers have gone from \$500,000 to \$650,000 per acre.

It reaches the stage where there is an unreality about it. A thousand dollars I can understand. When you get to those figures, we may as well be playing bingo. That is a more familiar—

Interjections.

Mr Pelissero: Now there is an option we had not thought about.

Interjection: Lotteries.

<u>Mr Ferraro</u>: In the high-growth, very heated areas, obviously that is no surprise to anyone, but I must admit I have some significant difficulty in trying to justify that as a provincial policy, quite frankly. I would think the developers would be here with their picks and shovels going bananas.

Mr Jackson: It is against the law, let's put it that way.

Mr Ferraro: Well-

 $\underline{\text{Mr Jackson}}\colon You$ cannot freeze negotiations without it immediately becoming an arbitration process.

Mr Ferraro: That is right. I mean, what is the point of the negotiation? We might as well just expropriate everything and give it to you.

 $\underline{\text{Mr Reilly}}$: I guess the concept we were dealing with was the concept they came in with. You will remember evaluation date. There was a change in capital gains and so on and there was evaluation date.

I suppose putting it as freezing the value is not so much the concept as fixing what the value was at that time so that we can see what the difference is two months later. It gives you some kind of yardstick, and if the differences three months later are enormous, then there is a good reason for a board to go back. In fact, there is a compulsion for a board to go back and revise the bylaw, even though a short time has passed.

<u>Mr Ferraro</u>: The last question I have is: Given that you are one of the first school boards to come and make a presentation, which we are grateful for, would any of you gentlemen care to give us your opinion? First, factually, do you have any leaseback arrangements now with developers, and second, what do you think of the proposal?

Mr Fleming: We do not have any currently. We are working in one area now with a developer who simply does not want to sell in a builtup area. We may well end up going to the ministry with that as a proposal that that is our only way in that particular area.

Mr Ferraro: Let me be quite candid, gentlemen. I am fairly excited about this particular proposal from the standpoint of leverage. I am fully cognizant of the fact that you have to get a lot t's crossed and i's dotted and all the rest of it. Would I be wrong in making the assumption that there would be a natural resistance from your board because of the fact that you are used to owning as opposed to leasing it?

 $\underline{\text{Mr Fleming}}$: I think as long as the long-term needs of students were safeguarded, the question of ownership really would not perturb me personally.

 $\underline{\mathsf{Mr}\ \mathsf{Ferraro}}$: As long as you get an option to purchase or to increase the lease or whatever.

Mr Meany: I have been at a couple of meetings between the eight growth boards and some representatives of the developer, the house vendors, and the matter has been discussed, but it was very difficult for us to get close together. The vendors wanted to bring in a third party, some sort of financial entity, who would be the one who would carry the costs and make money on it. It seemed to us that it was just one more way of acquiring a profit-making opportunity by industry, quite legitimate for it, but we would not win.

I did come up personally with the suggestion that, in view of the rapid increase in the value of land over the period of 20 to 25 years, there be some splitting—well, first of all, I would guarantee that you could have the land for so long and then you would have an option to buy at some percentage of an appraised value at that time, so that there could be the opportunity for the owner of the land to make the money based on the rapid escalation in the value

of the land and at the same time protection for the board and saving the public purse from simply being ransacked.

Mr Ferraro: I can appreciate that a developer may not want to lease that back, but a third party may be interested in acquiring the land, thereby getting the stability, inflation and so forth. It just appears to me that the leverage, the flexibility and the opportunity to build structures is significantly enhanced, almost to the same degree as giving you access to lot levies themselves, quite frankly. I have not heard too much discussion at this stage.

 $\underline{\text{Mr Meany}}\colon \mathbf{I}$ would like to say there is something in that, but it has to be very carefully addressed.

Mr Ferraro: I appreciate that.

Mr Meany: The method has to be looked at, and the process, and the protection has to be there.

Mr Ferraro: Yes.

Mr Reilly: One question, I think, that you have to ask in all of that is, what is the cost to the board? I am not certain of this, but my understanding at the moment is that the cost locally would be much higher under that scheme because ministry grants would be lower when leasing than they would be when buying.

Mr Jackson: But we control that, we control the funding formula.

Mr Reilly: Who controls it?

Mr Jackson: The legislative process.

Mr Reilly: Oh, that is interesting.

Mr Jackson: What you are saying is the impediment to the concept is the current method by which grants are structured. The government of the day is in control of that decision.

 $\underline{\mathsf{Mr}}$ Reilly: That is why I am urging you to ask that question, so you will know.

Interjections.

<u>The Chairman</u>: Order. Thank you very much. Obviously all members of the committee were very interested in your views and we will consider them very carefully. Thank you for presenting them.

There being no further business today, the meeting is adjourned until Monday next at 2 $\,\mathrm{pm}$.

The committee adjourned at 1648.



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS
DEVELOPMENT CHARGES ACT, 1989
MONDAY 28 AUGUST 1989



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From the Ministry of Municipal Affairs: Tassonyi, Almos, Senior Economist, Taxation Policy, Municipal Finance Branch

From the Ministry of Education:

Dalzell, Elizabeth, Policy/Legislation Analyst, School Business and Finance Branch

From the Association of Municipal Clerks and Treasurers of Ontario: Green, Duncan, President
Stockie, Tom, Commissioner of Finance, City of Waterloo
Cousineau, Kenneth, Executive Director

Gubinczki, Jim, Treasurer, City of St Thomas

From the Runnymede Development Corp Ltd, Seaton Group, Belmont Construction Co Ltd, Landtactix Inc, H & R Developments Ltd and Baif Developments Ltd: Hamlin, Yvonne J., Legal Counsel; with Goodman and Carr

From the Ontario Separate School Trustees' Association: Sherlock, James, Director Longo, Sally, Member of the Board Nyitrai, Ernest, Executive Director McCabe, Earle, Deputy Executive Director

From the Municipal Electric Association: Anderson, D. Carl, Chairman Jennings, I. H., Chief Executive Officer

From the Town of Richmond Hill: Bell, William F., Mayor Braun, Mary J., Town Solicitor Bauthus, Fred, Commissioner of Finance

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Monday 28 August 1989

The committee met at 1402 in committee room 2.

DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

 $\frac{\text{The Vice-Chairman:}}{\text{way. We are the standing committee on finance and economic affairs,}}{\text{dealing with Bill 20.}}$

We have representatives of the Association of Municipal Clerks and Treasurers of Ontario. Could I could ask you gentlemen to identify yourselves? We are at your pleasure for the next half—hour if you have a presentation. I think the clerk has handed it out. You can use all of the time for the presentation or you can use part of it for the presentation and part for questions and answers. It is entirely in your hands.

ASSOCIATION OF MUNICIPAL CLERKS AND TREASURERS OF ONTARIO

Mr Green: I am Duncan Green, president of the Association of Municipal Clerks and Treasurers of Ontario. I will let the other members introduce themselves.

Mr Cousineau: I am Ken Cousineau, executive director of the association.

Mr Stockie: I am Tom Stockie, commissioner of finance for the city of Waterloo.

Mr Gubinczki: My name is Jim Gubinczki. I am the city treasurer of the city of St Thomas and a member of the board of directors of the association.

<u>Mr Green</u>: The Association of Municipal Clerks and Treasurers of Ontario is a professional organization representing over 2,000 municipal officials responsible for finance and administration in Ontario's municipalities. Our interest in Bill 20 is to ensure that legislation is provided that meets the legitimate needs of municipalities with respect to growth-related capital costs and provides a mechanism that is financially sound and administratively efficient and effective.

AMCTO supports the provisions of Bill 20 which make municipalities accountable to the public for the levies they propose to collect from new development. This includes the requirement for public involvement in the process, the requirement to make available information related to the proposed charges to be levied, the notice requirements, the provisions related to Ontario Municipal Board appeals, the requirements to notify individuals that a bylaw has been passed and is in effect and the availability of a complaint resolution mechanism related to the application of the bylaw.

In addition, the association supports the bill with respect to front—end financing and the requirements placed on both the municipality and the owner of property within a front—ending area. As our submission points out, we are generally in agreement with many other aspects of the legislation and are requesting only minor amendments in order to facilitate more effective administration of the development charges process.

Among the changes of this nature, AMCTO has recommended a review of payment mechanisms to ensure that letters of credit may continue to be used; the ability to designate in a development charges bylaw a date, other than the date on which it is passed, on which the bylaw will be effective; the replacement of the term "immediately" with a more definitive period in which to take a particular action; consistent provisions with respect to public involvement in the process for both an initial and a new development charges bylaw; the tightening up of provisions related to the collection and recovery of amounts due under a development charges bylaw, and assignment of responsibility for the calculation of an education development charge.

Of continuing and major concern to the association is the inclusion in Bill 20 of part III, that being the provisions related to education development charges. In responding to the earlier discussion paper on financing growth—related capital costs, the associated opposed the use of development charges as a mechanism for shifting the responsibility for funding education capital costs from the provincial government to municipalities.

By reducing capital funding from 75 per cent to 60 per cent and relying on development charges to make up the difference, the provincial government is applying a user-pay philosophy to the provision of education opportunities. Not only is this an invalid application when speaking of development as a measure of the need for education services and facilities, but it could make education a user-pay service and could lead to inconsistent access across the province.

Lot levies have been a matter for discussion among municipalities, the development industry and the provincial government for 10 years or more and at no time was the question of development charges for education ever discussed. Given the concerns which we have expressed and the limited opportunities to discuss alternatives, AMCTO recommends that part III be removed from Bill 20 and that further discussions and consultation should be undertaken to arrive at a more appropriate mechanism to fund education costs.

In the event that the government proceeds with part III, the association has recommended several administrative changes that must be addressed.

Also of concern to the association and a provision of the bill which has the potential to cause significant and grave consequences for municipal finance and the provision of necessary growth-related services is the definition of "capital cost" in section 1 of Bill 20. This definition would exclude all growth-related capital costs associated with the acquisition of "vehicles, furniture, office equipment, supplies, inventory or similar items" related to the provision of an intended service.

Although there are some notable differences between the terminology used in the discussion paper and that used in Bill 20, including the terms "equipment" and "fixtures" and the use of the word "vehicles" rather than "rolling stock," the association believes that the exclusion included in the definition is inconsistent with the principle of providing for development charges as a means of recovering all growth-related capital costs.

Using fire services as an example, the association has interpreted the current provisions of Bill 20 as providing a municipality with the ability to recover the cost associated with the acquisition of land and the construction of a fire hall. The development which led to the need for the construction of this facility could only be provided with proper fire services through the provision of firefighting vehicles and equipment, the hiring and outfitting of additional firefighters and the provision of other furniture and equipment necessary to allow for the efficient operation of the facility. These costs would normally account for over 35 to 40 per cent of the startup costs for providing fire services and could be as much as 50 per cent.

AMCTO believes that Bill 20 would not permit municipalities to recover these costs. AMCTO believes there is an inherent inconsistency in Bill 20 in that it provides for the acquisition of land and the construction of a building but does not provide for the outfitting of the facility so that it can deliver the intended service.

To further support these arguments, the association would point to the provisions of Bill 20 establishing a mechanism whereby the public, the development industry, the owner of property or any other interested party can challenge the need for a particular service, the anticipated cost of providing that service and the apportionment of that cost and the service level or standard of service being provided. The ability of individuals to challenge a municipality's development bylaw on these and other grounds requires that a municipality be able to justify any and all charges which are to be imposed.

As an aside, the association would also note that the definition of "education capital cost" in section 28 of the bill does not provide for the same exclusion as the definition of "capital cost," nor, for that matter, any exclusion. As such, it would seem reasonable to assume the capital costs associated with the acquisition of vehicles, furniture, office equipment, supplies, inventory or similar items as they pertain to the provisions of pupil accommodation would be eligible costs for inclusion in an education development charge.

The association has recommended amending the definition of "capital cost" to include furniture, fixtures and equipment required for the provision of the intended service. AMCTO believes that this will improve the consistency of the legislation and protect the integrity of the development charges mechanism as a part of the municipal finance structure.

Of similar significance to municipalities are the provisions of Bill 20 which relate to the timing of payments and the continued use of agreements to collect development charges subsequent to the coming into force of the Development Charges Act.

Current practice has municipalities collecting lot levies from developers either through a bylaw adopted under the Municipal Act or an agreement entered into between the municipality and the developer or owner under section 50 or 52 of the Planning Act, 1983. Both of these mechanisms provide an opportunity for the municipality to stipulate the timing of payments, thus providing it with some degree of certainty as to when the moneys involved would be available. This permits municipalities to plan with respect to the financing and construction of capital facilities with some assurance that the moneys will be available when required.

Bill 20 provides that payment is to be made for certain components of the development charge at the time of subdivision agreement and for the remainder of the charge upon the owner's request for building permits to be issued.

The association is not opposed to nor does it argue with these provisions other than to point out that the municipality has limited control over either of these actions taking place and thus the limited ability to plan for the financing and construction of the required facilities.

In addition, AMCTO supports subsection 9(3) which provides limited flexibility for the parties to agree to payment at a time other than that specified in the legislation provided this time is not earlier than the subdivision agreement or building permit stage. The association supports the principle of flexibility but insists that it not favour the owner to the detriment of the municipality.

Flexibility must be available to both parties and must accommodate, by agreement, specified payment dates earlier than those provided for in the legislation. Such an amendment would accommodate some of the current practices and release some of the capital financing and administrative difficulties that the present provisions of Bill 20 would impose.

With respect to the continued use of agreements, the association believes that Bill 20 discriminates against those municipalities that have heretofore levied development charges by way of an agreement under section 50 or section 52 of the Planning Act, 1983.

Whereas municipalities that have levied development charges by bylaw will be given up to two years to enact a new bylaw under the provisions of Bill 20, those who have operated by agreement will be restricted from entering into any further agreements as of the day of the coming into force of the Development Charges Act. At the present time, both methods of levying development charges are accepted.

The association believes that the discretionary situation established by sections 42 and 43 should be eliminated and is therefore recommending that the legislation include provisions for the continued use of agreements for a period not to exceed two years after the coming into force of the act.

There are several other matters of importance discussed in AMCTO's brief which we trust the committee will give its full attention to. The fact that we have not specifically addressed each of the 18 recommendations included within the brief in no way takes away from the significance of those matters not specifically dealt with.

The committee has a copy of our brief and we trust that it will take our comments and recommendations into consideration. If any further information is required with respect to any specific recommendation, I invite you to contact Ken Cousineau, the association's executive director, at the AMCTO office and he will endeavour to assist the committee in any way he can.

I want to thank you, Mr Chairman, and the members of the standing committee for allowing us this opportunity to present our views and we would be more than happy to try to answer any questions you may have concerning our submission.

The Vice-Chairman: As you pointed out at the end, it is a very

comprehensive brief and I thank you for that. Certainly, the recommendations will be given full consideration as the committee deliberates on clause—by—clause in the fall.

Mr Haggerty: You mention the education tax or the cost of related growth in this particular area, and you have some reservations about it. You talked about how fire protection should be included as growth.

Mr Green: Right. The provisions of Bill 20, as proposed, would allow the municipality to acquire the land and construct the building. It is our interpretation, however, that it would not permit us to charge or include within the lot levy the cost of the fire engine, the tanker, the aerial ladders or the firefighting clothing which are necessary for firefighters.

Mr Haggerty: You would like to see it included as equipment?

Mr Green: Yes, we would.

Mr Haggerty: Besides the capital building construction.

Mr Green: Right. Besides the building and land, we would like to see the equipment or the rolling stock.

Mr Haggerty: In section 17, you said that the treasurer of the municipality shall, in each year, on or before such date as council may direct, furnish to the council a statement in respect of each reserve fund established under section 15 containing the information prescribed.

You suggest the following amendment, that reference to section 15 and reserve funds established under that section should be amended to refer to each reserve fund established under section 16.

I believe the section of Bill 20 that I am looking at says the payments received by the municipality under this section shall be maintained as separate reserve funds, or funds shall be used only to meet the growth—related net capital. If I interpret what you are suggesting there, it is that there be more than one reserve fund set aside. Is that what your intent is, instead of having one general reserve fund related to this particular Bill 20?

Mr Green: With your permission, I would ask the executive director to answer that.

Mr Cousineau: I think the reference is to section 15. I do not think section 15 is the reserve fund section. All we are suggesting there is that this reference needs to be corrected. The reference in section 17 should be to section 16, rather than section 15.

Mr Haggerty: I was looking at 16. I thought that covered very well what you have to report.

Mr Cousineau: Yes, it does, but in section 17 there is a reference to section 15, when it is talking about reserve funds, and section 15 does not deal with reserve funds. All we are suggesting is that 15 be changed to 16.

Mr Green: I think it is a typographical error.

The Vice-Chairman: It is a computer error.

Mr Tassonyi: Is that what you want; that section 15 be deleted or section 16 inserted?

The Vice-Chairman: No. I believe the reference they made in their presentation has already been corrected, I am assuming, in the second printing of the bill.

Mr Tassonyi: In the second reading.

The Vice-Chairman: In the second reading of the bill. So they were just cleaning up our faulty computer.

Mr Haggerty: You have to blame it on somebody.

 $\underline{\text{Mr Morin-Strom}}$: The detailed recommendations will be of assistance to the committee in terms of the specific sections of the bill.

Given that you are representatives of clerks and treasurers of Ontario, you must have a good idea as to the overall impact this is going to have on new housing construction in areas of the province and, in particular, what the impact is going to be on the cost burden that is going to be put on major new development in Ontario.

I wonder if you could give us any figures or estimates you may have with respect to what the total cost of lot levies or development charges is going to be as a result of this bill, in comparison with what is typically being charged today in municipalities that have lot levies now, including the education component? What price impact do you think this is going to have on new housing construction?

Mr Stockie: I come from the region of Waterloo and in our area the local municipality, as well as the regional municipality, is now levying lot levy or development charges on new construction. That is generally to offset all the soft and hard costs, basically as set out in this bill. The new impact is that of the educational lot levy and it is my feeling that whatever our boards of education show as a lot levy charge to new development, it will be passed on to the home buyers. As to the exact amount of what that levy may be, I have heard figures of \$5,000, possibly, for each new home. We would consider that to be an additional levy to our local taxpayers to offset the capital cost of educational institutions.

Mr Morin-Strom: On the municipal side, what is the current average or typical lot levy charge for major new developments in the province, and will this make a major change in that?

 $\underline{\text{Mr Stockie}}\colon I$ would say that in our municipality our current charge is \$8,100. That is for the city and regional lot levies.

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Mr Morin-Strom: That is in Waterloo?

Mr Stockie: That is correct. The impacts, again, are going to be by the educational lot levy. Our boards of education bringing on lot levy fees will impact the cost of new homes. Whatever that fee will be, I am sure the builders will pass it on to our economy on the strength of our housing markets today.

Mr Morin-Strom: Are you concerned about the consequences with respect to housing development and availability in your community?

Mr Stockie: Speaking for our community, I believe our biggest concern would be in the areas of affordable housing and housing for senior citizens, where there seems to be some encouragement through the various levels of government to bring on more of these types of housing units. On the other side, it appears that there is going to be an increased charge and cost to own or occupy that type of property.

<u>Mr Morin-Strom</u>: Mr Green or Mr Cousineau, could you indicate whether Waterloo would be typical in terms of levels of development charges in the province today?

Mr Cousineau: I do not have any figures on what the average might be because, as you know, it varies from municipality to municipality. I think we are consistent in our concern about the addition of the education levy. There is the possibility that it is going to add to the cost of a new home. Associated with that, though, is our concern that it is a transfer of that responsibility from the provincial to the municipal level. It is going to be put on one segment of the population, and that is the home-buying population or development side of the population. Our concern is that education is going to be dependent on development rather than on the need for the facilities and services.

 $\underline{\text{Mr McCague}}\colon I$ missed the first part of the presentation, but did you address hospital levies at all in your brief?

Mr Green: No, we did not.

Mr McCague: I do note, though, in the suggestions you have here that the objective is to provide legislation that would effectively address the legitimate needs of all citizens in Ontario by ensuring the services. Last week we had the case of Dufferin county, for instance, which is faced with raising some \$10 million within the county for hospital construction. They have levied \$1 million a year for five years against existing taxpayers but thought in fairness that they should have the opportunity to levy against new home construction so that, in fact, everybody is paying a share of those services and facilities necessary to accommodate growth.

Do you have any opinion on whether hospitals should be given the opportunity to levy for those purposes through the municipality?

Mr Green: No. I would suggest it would not be appropriate for hospital boards to have the right to require a municipality to levy or charge a lot levy specifically on behalf of a hospital. It may be appropriate for the host municipality where the hospital is to be built, or the catchment area of the hospital, if it wishes to raise its contribution to the hospital construction, to exercise the option of including the construction cost of the hospital, but not to delegate authority to the hospital board per se, the same way as this delegates to school boards.

Mr McCague: Would you agree then that the council should have the privilege of consenting to a levy or of imposing a levy, for instance, for hospital purposes? In the case of Dufferin county, if you were going to have any hospital levy, it would be for the one in Orangeville.

Mr Green: There are not too many counties at the present time, of course, that impose the lot levy. I recognize that the regional governments do.

Mr McCague: I do not think any counties do—Dufferin was thinking of it—but some of the regions do.

Mr Green: I know my county needs \$40 million to fund new hospital construction and I am not sure where we will get the money. Possibly a lot levy would be one way of doing it. It would be just as appropriate, I would suggest, to levy for a hospital as it would be to levy for schools.

Mr McCague: You may be aware that the hospitals are asking for the privilege of being able to raise money through levies, as are the school boards. That is one thing this committee will be faced with considering when we do clause—by—clause.

<u>Mr Green</u>: My personal preference, maybe not an association one, would be, of course, that the Ontario government would ante up its two—thirds contribution by going into the lottery funds a little bit more and taking it off the backs of the property taxpayers.

Mr McCague: We would all like that, especially if we won the lottery.

Mr Mackenzie: Is the current levy in Waterloo \$8,100?

Mr Stockie: That is correct. That is for the city of Waterloo as well as the regional municipality of Waterloo.

 $\underline{\text{Mr Mackenzie}}\colon \text{I think I heard you use a guesstimate, I guess it was,}$ of \$5,000 as the potential cost.

Mr Stockie: I have no basis for that estimate at all.

Mr Mackenzie: That is a guesstimate, then.

Mr Stockie: That is correct.

<u>Mr Mackenzie</u>: In making that kind of a guesstimate, has any work been done in figuring out the effects of this on top of the costs we are likely to see in the general sales tax increases?

Mr Stockie: Not in our case, no, we have not.

<u>Mr Mackenzie</u>: It may have some effect in terms of the costs of materials and housing generally. I am just wondering if that has been factored in in any of the guesstimates that are being made.

Mr Stockie: No.

Mr Mackenzie: You have no information on that and you have done nothing to see just what effect it might have in terms of dollars.

Mr Ferraro: Mr Cousineau, you indicated in response to one of my colleague's questions that you were concerned about the affordability aspect, as we all are. I think your statement was to the effect that you are concerned about the transfer of responsibility from the province to the municipality. Is that correct?

Mr Cousineau: Yes.

Mr Ferraro: That is in specific regard to affordable housing?

 $\underline{\text{Mr Cousineau}}\colon No$, that is with respect to the education levy and the funding of education capital costs.

Mr Ferraro: I wonder if you could expand a little bit on that. Albeit we are reducing the percentage amount, the aggregate amount, as I am sure you know, has gone up fourfold. I am wondering if you could just elaborate a little bit more.

Mr Cousineau: I think it is on the basis of the percentage amount. There is an increased need. The province has increased its funding but at the same time has decreased the percentage of funds allocated for that purpose. I think it is the viewpoint of the association that this is a transfer of responsibility for that function on to the municipal taxpayer or the new home buyer and that education is a service that would more legitimately be funded by the taxpayers of the province than in a particular municipality.

Mr Ferraro: So you would say that you would support an income tax increase as opposed to a lot levy charge. Is that the position of the association?

Mr Cousineau: We would support some other alternative, but we have not had enough time to consider what other alternatives are necessary and what might be appropriate. We do not feel that linking the funding of education capital costs to development is a legitimate link.

Mr Ferraro: Just to finish, it is okay, though, for municipalities to increase the discretionary use of lot levy charges for whatever purpose they want, except you do not agree that it should be for schools. My municipality can increase a lot levy and build an arena, but for a school it is not appropriate.

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 $\underline{\text{Mr Cousineau}}$: I think the bill specifies what services the municipality will be able to levy charges for.

Mr Ferraro: It is pretty broad, though.

<u>Mr Cousineau</u>: In most cases, those charges are for services such as sewers, water, garbage collection, roads; services that are tied quite closely to property and to development.

Mr Ferraro: You and I could debate that point, Mr Cousineau, but quite frankly, it is much more generous than that. They could build just about anything, arenas or libraries or anything to that effect.

I will finish with this. I appreciate the municipality's perspective, but I guess where I am just a little concerned is that it is essentially, to some degree, a turf war. Why should you be allowed to build an arena, one might ask you, Mr Cousineau, and yet not allow that same source of funding to be used for schools? I expect my kids to have the same access, hopefully—in fact to a lesser degree in arenas as opposed to schools.

Mr Cousineau: But not all new home buyers have children.

Mr Ferraro: That is right, but not all taxpayers use all services
either.

The Vice—Chairman: I will treat Mr Ferraro's as a rhetorical question and allow Mr Polsinelli a quick supplementary.

 $\underline{\text{Mr Polsinelli}}$: Mr Cousineau, you have indicated that you think this is a transfer of responsibility from the provincial government to the local government in terms of capital construction in your schools. I have heard it said that historically the responsibility for constructing new schools has rested with the local school board.

Mr Cousineau: I have heard that said also.

Mr Polsinelli: If that is the case, there is no transfer of responsibility. In fact, what we are doing is giving the local school boards an added leverage point or an added way of raising revenues to construct the schools that historically they have always constructed.

Mr Cousineau: If that is the case.

Mr Polsinelli: Right. That was my point.

The Vice-Chairman: Okay. Thank you very much for your comprehensive presentation. As I said, it will be taken into consideration when we get into clause-by-clause. Thank you, gentlemen.

Is Yvonne Hamlin from Goodman and Carr here? Good afternoon and welcome to the committee. I would just ask you to introduce yourself. We are in your hands for the next half an hour.

GOODMAN AND CARR

Ms Hamlin: My name is Yvonne Hamlin. I am a partner at Goodman and Carr. I am here this afternoon with Art Zuidema, who is one of our articling students, and I am here on behalf of several of our developer clients. They are listed on the very front page of my submission and they are: Runnymede Development Corp Ltd, the Seaton Group, Belmont Construction Co Ltd, Landtactix Inc, H & R Developments Ltd and Baif Developments Ltd. These are all developers who are active in the greater Metropolitan Toronto area as well as throughout southern Ontario.

Certainly over the last decade development charges have become a very important source of financing for local municipalities, and the theory behind them is very simple. Often the implementation of them is not.

I am here really to provide assistance, I hope, and to clarify from a practical point of view several provisions of the bill that we have gone through and have been analysing.

I would like to thank the committee and the Legislature for turning its attention to the lot levy legislation in the quite timely fashion that it has. I will be submitting a very concise summary of my recommendations in the next day or so and I will forward that to your clerk. I am just going to highlight some of the recommendations in my brief, not all of them, and of course you will have this document to review later.

The first point I would like to make is retroactivity. Why I raise this is because when the green paper on lot levies was released in December 1988, and at that time I understand that the Treasurer (Mr R. F. Nixon) asked the municipalities not to impose lot levies until the legislation had come forward

and so on, a number of municipalities rushed out and doubled or increased substantially their levies, I think, trying to go against the grain of what the Legislature had in mind in bringing the levies in.

We are here to ask that this committee consider making some provision that would address in a retroactive manner this legislation. Instead of increased levies, perhaps one way to address it would be to require those municipalities, since the date of the green paper, to review those levies, set a new levy in line with the policies that are in this new legislation and pay back those amounts that they should not be collecting in the interim period, because it is creating a funny position for those developers who are active in an area where there is a lot of competition.

You have the levy that was set before 12 December. You have the levy that is going to be here in the interim period, while you are reviewing this and before the new legislation comes in and up to the point, which is one year after the enactment of the legislation, when they are required to bring in the new Development Charges Act under this legislation you have in many cases about a year and a half where those poor guys who are bringing lots on and those poor owners who are having to pay the levies during that period are stuck with this inflated amount in many municipalities.

Let me just address one thing. I have had some discussions with certain staff of the ministry about this and they said: "Just appeal. Why don't you use the provisions? You can go to the Ontario Municipal Board right now and appeal." But it is not so easy, because what you are left with is then having to go to the board, waiting eight months for your appeal date, fighting it out then and then fighting it out again when the new legislation comes in because for certain there will be a review at that time.

In addition, we are dealing with no policies right now under the Planning Act. The board really would be acting in this interim period without a lot of guidelines and probably looking to your new legislation to set the policy anyway. Enough said.

The next point I would like to make concerns when the development charges are payable. I take it from reading the act—and I have looked carefully at section 9 and then the mirror provision in section 34—that the levies would be payable at the time of building permit approval. But I would be respectfully requesting that, when you are considering this, you make that a positive statement because right now the legislation says that no building permit shall be issued until the levies or development charges are paid. What we will be looking for is a positive statement saying, "Levies shall be payable at the building permit stage or immediately prior to building permits being issued."

I say that for this reason: perhaps in the subdivision approval process, which is provided for in the legislation, developers are going to continue to pay levies at the subdivision agreement stage. But where we are looking at changes to land use, which are zoning or minor variance changes and minor amendments to bylaws, when are those levies going to be payable? It is not clear in here.

I would suggest to you that merely obtaining rezoning of a property does not give rise to the increase in the need for services. It is the actual obtaining of the building permit that is going to make something happen on that property. Quite often you can get a rezoning of property and then nothing happens. The owner of the land is not financially able to go ahead or

whatever, and then you get another rezoning on the property. The levies should not be paid just because the property gets rezoned and I would ask that this just be clarified.

The next point I wish to make is with respect to appeals to the Ontario Municipal Board. It is clear in the legislation that you are going to be able to go to the board within so many days after the enacting of a development charges bylaw. So if you do not like what the bylaw has addressed, such as the amount and so on, then you can go within so many days after it is enacted or if you have a problem with how it is applied to your property in terms of a technical nature, you can find out how many units have been calculated and this kind of thing—a very technical complaint procedure.

In my view, what is missing is whether the development charges should be applied to that particular project from the point of view of whether that project has created a need for more services. Let me just give you an example. There was actually a case reported a few years ago where a developer brought forward a project—it was a rental apartment building—and decided to go for condominium approval afterwards instead. He paid his levies on the apartment rezoning or whatever, and when he went forward for his condominium conversion, they said, "Oh, here you are again."

Now, I know, under this bill you say, "We have caught that; you know, the multiple approvals route," but there is nothing here to say where you go when you have a problem as to whether the development charges bylaw should be applied to your project. Your project is up. Maybe you have not been charged before and you come forward for rezoning after the new bill is in place. Where owners are going to go is to the courts, because there is no remedy. I would suggest to you that is not an appropriate place for land development issues to be sorted out, since we have this specialized tribunal that deals with these kinds of issues.

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My next point is under front—ending agreements. I have a number of points under that. These provisions, of course, are long—awaited and are welcomed, because there has been nothing really to say whether these agreements are legal. Millions of dollars of front—end services are in the ground and waiting to be paid for already. This is long—awaited. I just have a few comments, though, with respect to those provisions.

The first one is that we would ask that a power be given to the Ontario Municipal Board to dismiss an appeal brought under those front—ending provisions, if the board were to consider the appeal to be frivolous. That power is given to the board already in this legislation where someone is contesting a development charges bylaw or an education development charges bylaw. That power has not been given to them where someone is contesting a front—end agreement.

I would suggest to you that is a very important provision, because particularly in the front-ending provisions, there is great possibility for land owners to hold up projects by appealing. If the appeals are just frivolous, we would like to have the opportunity to be able to be open that way at the board. Those provisions, of course, are also in the Planning Act, dealing with the typical approvals the board gives.

My next comment is the definition of "benefiting area," which is the area under which front—ending agreements will apply. The legislation restricts

them to areas which, among other things, are designated for development in an official plan. I suggest to you that is not broad enough, for two reasons:

First, the front—end services, particularly as they are defined here, relate to hard services: sewer, water, storm sewer and roads. Three of those four usually are calculated by an engineer with respect to a catchment area. In most front—ending agreements that are out there now, the benefiting area has been calculated by the engineering commissioner for a municipality, usually in conjunction with an outside municipal consultant, because when you are talking about what area should be contributing to this storm drainage pond, it does not matter what the planning values are. It is, what is all the land that drains into that area? It is the same argument with respect to sanitary sewers. What is the catchment area for where that is going? It is the same argument for the water. I would just say that a definition that restricts it to an official plan area that has been designated is not broad enough.

Second, usually with a front-ending agreement, it is a developer who is going into an area where there is no development yet. He is the first one there and the municipality says, "If you want to go ahead, you pay up front." The area he is going into, usually in most cases—I will say in 90 per cent of the cases he is not going into an area where the land has been designated already in an official plan for development. He is usually going into a new frontier, so to speak. To restrict the benefiting area to an area that has already been designated, you are going to miss most of the benefit of having these provisions.

The definition of "front-end services" is restricted to these four I have just referred to. We would like to suggest that this committee give consideration to a broader definition. There are many items that are front-ended right now which are not restricted to those things. I will give you a list. There are several in my brief at page 8. Sewage treatment plants is one. One of my clients, the Seaton Group, which is listed here, a number of years ago was one of the first developers in the Unionville area. They had to put in a sewage treatment plant. That is not uncommon. They are now into another area where they are trying to negotiate the same thing with the municipality.

When you are the first one ahead, the first one in, these things—they have a front—ending agreement with that municipality where the municipality is collecting from the benefiting owners in the area. There is more than just water, sanitary sewers: sewage treatment plants, land for pumping stations and reservoirs—that is quite common; parks—sometimes there is a community park that is required for a large area and one owner gets it on his land. Nobody wants a park on his land because he cannot develop it. If it is an area with a lot of developers who are active, usually they will get together and they will share the costs of having that park on one owner's land. It is the same thing with respect to school sites. Many school sites have been subsidized.

Perhaps the answer is that the services that can be front-ended should be the same as the services that have been defined and that municipalities can collect for under the Development Charges Act.

My next point with respect to this is the legitimizing of existing agreements. As I mentioned earlier, there are a number of agreements in every municipality that do not have the sanction this legislation would give them, by being agreements that would be entered into after legislation is enforced. In my own view, we are going to find a lot of litigation out there for people contesting previous agreements. It will be those people whose time has come to

pay their share, and they will say to them: "You're not legalized under the new legislation. Maybe we'll have a run at you in the courts."

To avoid that possibility and a lot of headaches and uncertainty as to who is going to end up paying for all this, I think we would like to ask you to consider legitimizing and making valid those agreements that were entered into prior to enactment of this legislation. By way of example, I would direct you to the provisions of the Planning Act, subsection 40(15), which legitimizes site plan agreements that were entered into between 1973 and 1979. They just said these are "declared to be valid and binding."

My next point is with respect to indexing under front—end agreements. I think perhaps the legislation just has not been clear enough. Subsection 20(4) relates to the fact that a front—ending agreement "shall provide the methods by which amounts payable" by the benefiting owner "shall be adjusted." That is all it says. I think the intention here—and I am asking that it be clarified; this comes forward in the green paper—is that there is some discussion in the green paper that says if the developer is going to front—end, he should be able to get interest on that money he is putting forward.

But then it goes on and says: "Maybe interest is in the way. What we should do is allow them to have those things indexed to inflation the same way as municipalities are having their development charges bylaws indexed." I think that the indexing is the intent. The words here talk about the methods by which it should be adjusted. I would just suggest that perhaps, to clarify that, there should be reference to the wording in clause 3(4)(a) regarding "indexing of development charges."

My last points are with respect to the education development charges. My first one is regarding the definition of "school facilities." It is quite clear that the definition speaks to school facilities that are required for pupil accommodation and so thereby limits the things for which an education development charges bylaw can collect, facilities related to pupil accommodation.

However, under subsection 34(4) a school board can enter into an payment agreement in lieu of paying education charges. Where it says you can have this agreement to pay, it talks about providing school facilities in lieu of paying. The term "school facilities" is defined in reference to what a school site is under the Education Act. If you look and see what a "school site" is, you will find it is not limited to buildings for pupil accommodation. What it says for "school site" is "land or interest therein or premises required by a board for a school, school playground, school garden, teacher's residence, caretaker's residence, gymnasium, offices, parking areas or for any other school purpose."

My point is that by taking advantage of allowing developers to provide school facilities and getting a credit, they will be able to get indirectly all these things that a school site is—"offices, parking areas" and "any other school purpose"—that they cannot get directly with their development charges bylaw, whereby they are restricted to buildings for pupil accommodation. I think the definition, respectfully, suggests that school facilities should be tightened up to make reference to the same definition, which is the education capital costs definition.

My final point with respect to education is the credits for subsidized lands. Right now, in many areas, the school boards require land to be provided at a subsidized cost. I am told by one of my clients in York region, for

example, that it is \$50,000 an acre, which is about 10 per cent of what the land goes for; in Durham it is about 80 per cent.

Under the new legislation, they will be able to get credits, and I am sure all this will work out. We are going to have this interim period again where people are paying for the subsidized cost. We would ask that land owners be given credit against their charges when they have already provided land to a school board at a subsidized cost prior to the enactment of the legislation. Those are my comments.

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 $\underline{\mbox{The Vice--Chairman}}\colon \mbox{Thank you. I have two questioners, Mr Ferraro and Mr McCague:}$

Mr Ferraro: Ms Hamlin, thank you for your presentation. I have two questions. The first question deals with your concern about the retroactivity which has been expressed, I am sure, to all members of the committee. You were good enough to indicate that the present Planning Act legislation makes it significantly vague and that municipalities have taken advantage of the vagueness, if you will. I am just curious, Ms Hamlin. Notwithstanding the vagueness of it, if we were to make it retroactive, hypothetically, would you like to tell us where we could come up with the millions of dollars that the municipalities are counting on to offset that loss?

Ms Hamlin: Yes, I know this argument. You have to remember that many of them increased much higher than they had and probably are entitled to. These things were looked at carefully. You might also be saying, "What is going to happen when they have to bring in their new development charges bylaw?" because they will not be collecting, I would suggest, all these things. If they are, I know the regulations talk about the fact that they are supposed to set standards. Perhaps some of them are rushing in to set high standards at this stage.

My own view is that they were given notice that the legislation was coming, they know what they are going to be required to levy by and they should be required to uphold the spirit and intent of the legislation. It is going to be in effect, I understand, as early as the Legislature can deal with it, given its other commitments. They should not be allowed to jump in and create this—I honestly think there will be an interim period where home owners and developers will be paying these high charges before they really get scrutinized under the new legislation.

Mr Ferraro: My understanding, though, is that the Treasurer (Mr R. F. Nixon) asked municipalities to hold off until he released details, and they subsequently did that. In fact, in my situation my municipality came down and visited the Treasurer and, with some reluctance on its part, agreed to abstain from implementing its new charge. The argument again, just to be repetitive, does not detract from the municipalities' position. They are saying: "Okay, province of Ontario, we understand you are coming down with a new bill. Notwithstanding the changes and new amendments, it will not come into effect until probably the end of this year."

We have the power still, as far as we are concerned, under the Planning Act. Agreed, if they want to contest it they can contest it, but the reality is that most developers, especially if they want to continue doing business with that municipality, will pay it. If we were to say, "You can't do that, folks. The millions of dollars"—and I will just use my municipality—"that

you have collected from 1 January 1989 to the enactment of Bill 20 you have to give back." All hell would break loose because Bob Nixon, being the generous man he is, sure as hell is not going to say, "Okay, municipalities, here is the \$300 million we took back from it." What is the solution?

Ms Hamlin: The solution may be that the municipalities should be required, once this legislation is there and they know it is there, to review their policies in light of the new legislation. They should be required to set their new policy. If they have collected more than they are entitled to, they should provide a refund.

Mr Ferraro: But they are saying they are not. That is their point.

Ms Hamlin: Since December 1988 or January 1989.

Mr Ferraro: When it came out, but that is their point. They are saying, "We were entitled to collect it under the Planning Act." If a developer wants to contest that, obviously he has recourse.

Mr Polsinelli: A quick supplementary, Mr Chairman?

The Vice-Chairman: Very guick.

 $\underline{\text{Mr Polsinelli}}$: How many municipalities are we talking about? Which municipalities are we talking about that have, since December 1988 or January 1989, upped their lot levies to such—

Ms Hamlin: I do not have a list of all of them.

Mr Polsinelli: Do we have some of them?

Ms Hamlin: Sure, there are a lot.

Mr Jackson: It is on the list in front of you.

 $\underline{\mathsf{Mr}\ \mathsf{Polsinelli}}\colon \mathsf{No}$, those are the existing ones where they charge levies.

Ms Hamlin: A number of my clients are developing in the town of Vaughan. They, of course, raised their levies very significantly as did York region. There are many, though.

<u>Mr McCague</u>: Your last point was on the price of land for schools. You are asking that there should be some credit given against education development charges. Presumably you are saying retroactively. Retroactive to when?

 $\underline{\text{Ms Hamlin}}$: Whenever they have to pay. If they are going to be paying education charges and they have already given land, they should get a credit for it, regardless of when they gave it.

 $\underline{\text{Mr McCague}}$: That is a very difficult thing to gauge, though, is it not? I know what you are saying here but you also have some developers who are kind of blackmailing the school boards on this issue.

Ms Hamlin: I would say that the number of instances of that would be one towards 99 the other way. There is, I understand, one area where development is not going anywhere right now. We are not getting any

registration of subdivisions until the owners in the area agree to sit down and do a front—ending agreement to provide the land that is required. Usually the development industry is the one that is blackmailed. They are in a hurry to get their product on the market because there is a demand for it, and they are holding their land. Usually, in my experience, the blackmail is on the developers, not the other way.

Mr McCague: I guess if you could show me somebody that gave land in York for \$50,000 an acre to the school board and ended up losing on the whole subdivision the difference between \$50,000 and the true value, I could agree with you. My suggestion is that the developer still made his money, even though the school board got money at \$50,000 an acre. What I want to lead around to is, if you are going to have education development levies, would it not be better, to simplify everything, if the school boards had to pay market value for the land they want?

Ms Hamlin: Absolutely.

 $\underline{\text{Mr McCague}}\colon \text{Why do you not put that in here? It would simplify the whole thing.}$

Ms Hamlin: I was hoping that that might be how things are going to be operating under the new regime, but I am worried for the new regime. Should those who have already given the land and then are coming forward to get their building permits and being told, "Now pay your development charges," get a credit?

Mr McCaque: That, of course, is what concerns me. They have already given the land. Supposing they agreed two years ago to give the land. It is pretty hard to come back now and reverse that. What was the value two years ago? What is the value today? You can get into a whole harangue about all those things. I was wondering, retroactive to what date? The date that the ministry—

Ms Hamlin: When they gave the land, I guess.

Mr McCaque: You know, that is the toughie.

 $\underline{\mathsf{Ms}}$ Hamlin: With respect, it is pretty easy for the land values to be -

Mr McCague: The day, maybe, when Mr Eakins brought in the bill, but if it goes back beyond that, boy, you are getting into, I might say, a lawyer's haven.

Mr Mackenzie: Do you have any doubt at all that the lot levy levels that we finally arrive at will be passed on to the ultimate purchaser of the property?

Ms Hamlin: I am not an expert on the numbers here. I do not know. I think typically the levies are passed on. They are a cost of the home.

Mr Haggerty: I have one concern directed to the panel. In the information received from research there is a table of levy charges on lots, and I notice that the city of Toronto has no lot levies. Is that correct?

Ms Hamlin: Yes, that would be correct. How this city gets its money is through section 36 of the Planning Act which allows it to bonus developments. This is actually one of my pet things I like to talk about.

Mr Haggerty: What do you mean by bonus?

Ms Hamlin: If a piece of land has a zoning on it that allows it to have a two-storey retail building, but the site happens to be four acres in size, and it is an area in the city that is going to be redeveloped, when they come forward the municipality says, "We have a section in the Planning Act that says if you need increased density or increased height, we can take anything we want." That is what it says: services, matters and facilities. That is what they can take. Many times they take cash. Sometimes they will take day care spaces if it is proper to put it in the building, but there are none of these guidelines for collecting bonusing amounts.

It is just one section of the Planning Act; it is this long. It says, "If you want increased height and density, you provide facilities, services and matters that the municipality wants." Why I think they have been able to do that is that that section, I believe, was put in specifically for the city, because they do rezonings largely. They are not into subdivisions. Levies are things that are collected on subdivisions and severances. They have never been collected or allowed to be collected on zonings. This is new in this bill. The zoning things have been picked up by the city through the bonusing provisions.

Mr Haggerty: I notice there are other communities within Metropolitan Toronto that do have lot levies. Even with this bill which says a municipality "may," do you feel it does bring about some equity within, say, the tax structure of Metro?

Ms Hamlin: Having this?

Mr Haggerty: If the municipality of Metropolitan Toronto says no, I mean. If you look at it, it is really the outlying communities, what they call the bedroom communities. There is nothing in here that says the municipalities, for example, or Metro, the upper tier, would have a right to say you have to apply a levy on commercial or industrial development within the city.

Ms Hamlin: Maybe they would. I do not know. Any municipality can use this bill.

 $\underline{\text{Mr Haggerty}}\colon \text{Should it be "may" or should it be "shall"? Let's put it that way.}$

 $\underline{\text{Ms Hamlin}}$: I think what you would have to do is repeal section 36, I think it is, in the Planning Act, if you want to force them to use the legislation.

 $\underline{\mbox{The Vice-} \mbox{Chairman}} :$ I have four minutes left: two minutes for Mr Jackson; two minutes for Mr Ferraro.

Mr Jackson: I was concerned about the points you raised on education. We had one previous presentation which dealt with the the fact that there were bargains out there in the purchase price of development lands for schools. Somehow in the last six months that has all sort of evaporated, but part of it—and I would like your comment on this—is because subdivisions were usually designed so that the poor—quality land was designated for the school, at no detriment to the school: It could be adjacent to a creek site, say, so part of the playground was in the floodplain area; creative things

could be done. Also, because it was adjacent to a park, at which point the city was normally involved in a discounting process with the value of that land and a tradeoff for development charges, because sometimes they will take cash and not land from developers for park purposes, and they build their capital funds.

This has not happened for schools. What you are telling us here is that there is no way really of dealing with the issue of getting land inexpensively and then having that surface again as some sort of credit or discount when you ultimately pay your building lot. Somehow we have been able to resolve that with regular park land, because the city issues the building permit and gets the capital levies and they can modify and play games with them or do whatever they want with them. But school boards have no experience in that. They have just sort of benefited, because the city has said, "If we peg the park land at this price, that's what the per—acre cost will be for the school." When I was on a school board, acquiring lots, we always benefited from that.

What school boards are telling us now is that in the last six months everybody has jumped their prices up to real value. There is no real subsidy coming in to buy it in the first place. The school boards buy it and mortgage it for future needs.

Could you comment on that relationship? I did not think you went far enough or you were trying to suggest something we should be looking at in terms of these tradeoffs with school boards and municipalities. I understand what you mean by a credit for having bought a school site last year at a discounted price. That, to me, is an arbitration process and we would go back, and that could be done through appraisers.

But it strikes me as well that if we continue the process of getting land at less than its real value, there should be some implied credit knocked off the building lots that accrue from that development. Obviously, this legislation does not deal with that. A city can do it, because that it is at the pleasure of both parties within the legislation, but for a school board it does not.

Ms Hamlin: I am not sure why it does not, because it will be able to get facilities in lieu of money. If they are getting a facility, if they are going to take a piece of land, presumably there is going to be a value put to that land. If it is floodplain, first, they cannot—

Mr Jackson: You cannot build a facility, but the playground and park can go on. We do it all the time in this province.

Ms Hamlin: I think you are suggesting that the school is located by default beside the park, but in my experience, when you are going into a new area and a plan is being done for that area, the planner's directions from the municipality and his own experience is that when you locate a school, you try to put the community park beside it. The school does not go there by default. Sometimes, if it is a nice area for a park, maybe the school will go there by default.

Mr Jackson: We need more parks than we do schools. That is why that happens, but I do not mean to take you off that. It is just that the function of a discounted price is a function of the city going in and doing the horse trading, as it were, with the developer, not the school board. From my understanding, the school board benefits because the land value for the adjacent site was established and pegged by the city as a process of

arbitrating various factors. School boards will not be getting into any of that. They just benefit because you sold to the city recreation department for \$25,000 an acre, then the school board should be able to buy at \$25,000 an acre.

We think the horse trading with the city will go on. They will sell for \$100,000 an acre, but the school board will have to come up with \$145,000 an acre. That may not be all that wrong, because the developer gets other benefits from his subdivision agreement through negotiations which the school board cannot offer.

 $\underline{\mbox{The Vice--Chairman}}\colon \mbox{I am going to let you respond briefly, and then I am going to have to call time.}$

 $\underline{\text{Ms Hamlin}}\colon Very \ \text{shortly}\colon \ I \ \text{just} \ \text{suspect that school boards} \ \text{that have}$ not been that sophisticated will be getting a lot more sophisticated.

Mr Ferraro: Ms Hamlin, you have indicated that you are concerned about the municipal board's not having the availability to dismiss motions to appeal as frivolous. You are a lawyer and I am not and I have not memorized this act, but under subsection 4(10), which deals with the municipalities, it is the very same as subsection 30(10) of the educational section which gives the board that permission. So I am confused.

 $\underline{\text{Ms Hamlin}}$: That is true. If you are appealing an education development charge or a development charge, those sections you have just pointed out are there.

Mr Ferraro: Front-end financing?

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m Ms\ Hamlin}$: The front-end financing portion, when you go to the board under those sections 21 and 22, is in there.

Mr Ferraro: But does the front-end financing not fall under the development charges of the municipal section?

Ms Hamlin: No.

Mr Ferraro: Why not?

Ms Hamlin: Because section 21 sets out the procedure by which you get to the board. There is notice given; you can have 21 days to file an objection; the clerk gets an objection; it is sent to the board; the board can confirm the agreement, refuse to confirm it, direct changes; it also goes on to say who the parties are at the hearing. The next subsection should be that if the board finds an appeal frivolous, it can dismiss it.

The Vice-Chairman: Thank you for your presentation. We had some interesting dialogue and I am sure it will be helpful in our deliberations.

Next is the Ontario Separate School Trustees' Association. I believe their presentation has been circulated. Good afternoon and welcome to the committee. You have approximately half an hour, so you can divide it up between presentations, questions and answers, discussion. You could start by introducing the presenters who are at the table.

THE ONTARIO SEPARATE SCHOOL TRUSTEES' ASSOCIATION

Mr Sherlock: On my immediate left is Sally Longo, who is a member of the board of directors of our association and a trustee in Durham county; on her left is Ernie Nyitrai, the executive director of the association; on my immediate right is Earle McCabe, our deputy executive director. My name is Jim Sherlock. I am a trustee in Burlington and the past president of the association.

Very briefly, it is not our intention, as you may be aware from reading the brief, to deal with the specifics on any clause—by—clause basis. Instead, we would really like to deal with the general concept and some of the major principles involved in the draft legislation. With your consent, what we would like to do is for Sally and I to read very briefly a statement into the record for starters, and leave adequate time for questions and dialogue.

The Chairman: Certainly.

Mr Sherlock: The Ontario Separate School Trustees' Association supports the intent of Bill 20 to provide the option to those member boards who may wish to introduce lot levies to assist in the financing of new pupil places. In saying this, we recognize that some of our member boards, particularly those outside the greater Toronto area, are of the opinion that lot levies, due to low growth factors, will not be a viable alternative to the current method of financing the local school boards' share of capital construction in their areas.

While appreciating the position of some boards as referred to above, we are aware that four of our five member boards in the greater Toronto area support this legislation.

Our board of directors at its mid-February 1989 meeting approved the concept of lot levies, subject to nine caveats, and the interministerial committee was informed accordingly, as per appendix A attached to our brief. Our board had the benefit of a lengthy and supportive committee report which was arrived at following a thorough examination of various documents and a briefing by three staff members of the Ministry of Education and two from Treasury.

Subsequent to our submission, we became aware of further information, such that we may not have required all of the nine caveats.

To illustrate this, we requested that the reduction in the average grant from 75 per cent to 60 per cent not be effected until what is now Bill 20 is enacted and those school boards who wish to have the opportunity to implement lot levies have done so. The whole concept of the reduction of average grant from 75 per cent to 60 per cent generated most of the objections. The capital grant plan, 1979, as revised from time to time, provides on average to our boards 75 per cent of 90 per cent of approved cost.

We understand that the capital grant plan may be totally revised and may reflect current class—loading requirements and current construction costs. We would urge the Ministry of Education to do all within its power to expedite the release of a new revised capital grant plan. We hope the actual tender cost of a reasonably constructed school would constitute the approved costs. If this were possible, the impact of the reduction from 75 per cent to 60 per cent would not be as great a burden for school boards to carry.

We are also aware that a number of our boards to avoid operating deficits have had to issue debentures to pay the local boards' share of the difference in cost between capital grants available and the approved cost as well as the construction costs in excess of the total grant approved. The annual payments on these debentures are reflected in the cost of education.

With the implementation of lot levies, this difference between tender cost and actual grant dollars paid by the Ministry of Education will come from the lot levy fund. Thus the school board does not include in its tax requisition its share of the construction costs.

Mrs Longo: Frequently the need for new pupil places is the consequence of corporate commercial development. The green paper indicated the lot levy was applicable to residences only. We note that our recommendation to include lot levies on corporate commercial has been provided for in Bill 20. The levy raised on this development is to be used to reduce the residential levy; and we applaud this course of action.

In the last few years, the provincial government has substantially increased the total amount available for capital allocations to \$300 million per year. This sum, along with the local school boards' share, has generated \$400 million of construction annually.

With lot levies, the reduction of the average grant from 75 per cent to 60 per cent and maintaining the \$300-million allocation will generate the equivalent of approximately one half billion dollars of construction.

We must keep in mind that even with numbers as substantial as this, it is still short of 50 per cent of all school boards' requests for 1989 allocations. In saying this, we in no way wish to minimize the very substantial advance in capital allocations. You will note in our concerns that we did not want the provincial government to use the lot levy legislation as a reason to reduce its \$300-million annual commitment. We note that the Honourable Mr Nixon in his budget speech of 20 April 1988 announced \$900 million over the next three years for school board allocations. In his budget speech of 17 May 1989 this was expanded to four years, with a further \$300 million added, for a total of \$1.2 billion. This is attached as appendix B to this document.

In our final caveat, we requested the right to spend the lot levy money for new pupil places anywhere in the school board's jurisdiction within the county, region or district. According to the green paper, the lot levy would be raised on a specific area of new development within a school board's jurisdiction and would have to be spent in the area in which it was raised.

A school board has to think in terms of the needs of its entire area of jurisdiction. Some examples of this would include high schools or French first-language schools which may not be within a specific area of development but are necessary to meet the needs of its ratepayers.

The resolution of this matter seems best resolved by making the levy applicable to all new corporate commercial and residential development within the school board's jurisdiction. Thus the money raised anywhere within the geographical area could be used to meet the needs of all citizens of its jurisdiction. This approach appears to us to be fairer: to apply the levy to the entire county, region or district. In those areas where we have more than one coterminous board of education, separate decisions, bylaws, etc, will be required.

Subject to the comments we have made regarding this bill, we are now prepared to answer your questions.

Mr Polsinelli: Thank you very much for your presentation. I have one very simple question. In reading last week's Hansard, I cannot quite remember which presenter indicated that the corporate commercial sector does not create a demand for more pupil places and in your presentation you indicate, "Frequently the need for new pupil places is the consequence of corporate commercial development." I was wondering whether you could expand on that somewhat.

Mr Sherlock: We are basically contending that if you have some new development come into your area, particularly if it is one that increases jobs—which generally is an objective—it will require additional housing in the growth areas and will generate the need for more pupil places.

Mr Jackson: That was going to be my first question, because it strikes me that for a person who works for an employer, a new business opens up and he pays the levy and then he buys a new home. If they buy a used house, they do not pay a levy if they come into town, but if they buy a new home they will pay the additional levy. It strikes me that this seems almost like a dual tax.

You agree that it does not generate more kids; it only generates more kids if more external people come into the community. But a community that is in financial difficulty—like Brantford, for example, from time to time, because of its handful of very key and important industries. When one of those shuts down, they scramble around looking for another business to come into the area to help the unemployment.

Could we make a differentiation between not charging a lot levy, quite frankly, it would make the difference between some companies locating in an area and not. There is a whole litany of things a company will look at to decide whether to locate in a growth or a mongrowth community, and the existence of these levies, which would be rather substantive—

Mr Sherlock: I appreciate the point you are making about double taxation. It is certainly a concern we have had over the years, but I think it is too simple a generalization. You would be well aware from your position in Halton county that one of your basic assumptions really does not apply, inasmuch as many of the pupils we are servicing are related to—the people are commuting from one county to another, so as far as the lot levy for new house construction applies, the people may not have their children being educated in the same area where they buy their house. Of course, the argument we are for ever having with respect to local real estate taxes as a major generator of revenue for school boards is that so many of these people do not have children to be educated at all. Nevertheless, I appreciate the point you are making.

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Mr Jackson: If I can continue, you make a statement on page 2 that the "actual tender cost of a reasonably constructed school would constitute the approved cost." What are the main determinants in the gap between the actual cost and the grant, besides the change in the formula? Are there any other factors?

Mr Sherlock: As a former trustee, you would have some familiarity with the capital grant plan, which is complicated. Very few boards are able to

qualify for 100 per cent approval under current ministry standards. You have made representation and so have we that the capital grant plan be updated and we understand that this may be a possibility, but I think the major difficulty at the moment is that perhaps the capital grant plan is out of date in a few of its basic factors.

Mr Jackson: That is what I thought you were referring to. One of the concerns I have, for example, since we have included full—and half—day junior kindergarten, which is a debate that has been currently raging in both our public and separate boards in Halton on the issue of space availability, is that the formula does not really reflect the changes in what constitutes a school and the amount of space required to teach a student by program.

I guess one of my fears is that although we have the \$1.2 billion, as you increase the number of pupils exponentially and therefore the size of the schools by increasing program, by reducing the formula one tends to produce fewer schools for the same dollars.

You recommend to us in particular that the province go back to the old grant rate, but if it does not change the \$1.2-billion figure and go back to the old grant rate, then you will have to take some of your approved schools off the list. Do you realize that? I have raised that with a couple of trustee groups already.

Are you also saying that the \$1.2 billion should be increased to reflect the same—in other words, do not change the number of specific schools that have been approved, as the minister has announced them for the next four years, but change the formula back. Therefore, in order to keep those two numbers constant, you are going to have to increase the amount of money, the \$1.2 billion. It seems you have given us half a recommendation, but you have all the factors.

 $\underline{\text{Mr Sherlock}}$: I think we are making the point, on behalf of our member boards that are not in growth areas and do not anticipate that they will benefit at all from the introduction of lot levies for educational purposes, that they simply cannot afford to have that rate reduced.

Mr Jackson: I understand that. You have recommended that we change the formula back from 60 per cent to 75 per cent. That is an average figure. It will fluctuate, but let's say that is the average.

The government announced specific schools. They came to Oakville. You and I were in the room and they announced specific schools for your board and for the public board in Halton. If the government were to agree and if this committee were to recommend that we go back to the 75 per cent funding level, we would have to do one of two things. We would have to take some schools that have been announced off the list or come up with more than \$1.2 billion. I am just asking you if you have thought that through and which are you suggesting, to take the names off the list or increase the \$1.2-billion commitment over the next four years?

Mr Sherlock: We are certainly hoping they will not reduce the number of schools. The school boards basically, in applying for new pupil places, are applying for schools that are pretty urgently required and I think that need has been recognized.

In our appendix A, we go into more detail with respect to the rates and suggest that for those boards that have not opted in and have no opportunity

to benefit, the rate remain at 75 there. We go on to say that if it goes to 60, we would like to see the capital grant plan revised so that the 60 per cent will be 60 per cent of the tender costs of the building as opposed to the average 90 approval.

Mr Jackson: That was a point of clarification. So you are not recommending a return to the 60 per cent grant rate for those growth boards that have access to the lot levies; you are only saying that those boards that do not opt in should get the 75 per cent grant rate.

 $\underline{\text{Mr Sherlock}}$: I think that in the overall brief and the appendix, that is the case.

Mr Morin-Strom: In your brief you have indicated that at this point, just four of the five greater Toronto area boards are looking at the possibility of introducing a lot levy, as they would have the right to do under this bill. I wonder if you could indicate how broadly other boards across the province as well are likely to use lot levies, and as well, whether you have any kind of estimate as to what the educational portion of these development charges in areas of new construction are likely to be.

Mr Sherlock: As far as the first part of your question is concerned, we have a large board of directors that is representative of the entire province. We invited all our member boards to react to the proposal and to forward submissions to our board of directors. The majority of them were interested or gave qualified support, with the kind of qualifications we mentioned. With respect to a specific figure, I do not know whether staff would have an estimate or not. I am sorry that I do not have an estimate of what the total financial assistance would be. I think that would be pretty fluid.

Mr Morin-Strom: We have heard some pretty wide-ranging figures, from \$4,000 or \$5,000 up to one presentation last week which indicated the possibility of \$10,000 to \$15,000 just on the educational portion of lot levies for an average house in some areas of new development. Could we be looking at lot levies for educational development charges of \$10,000 to \$15,000?

Mr Sherlock: I am sorry; I misunderstood your question the first time. I thought you were asking a global question about provincial costs. I can tell you that at our board, which is Halton, a growing board, we have not even begun to consider a number because it is pretty hard to estimate what you are going to need. I am unaware of any of our boards that have estimated a specific lot levy.

Mr Morin-Strom: I am surprised you have not done that work because of the consequences this obviously has in terms of housing in the province of Ontario and the affordability of housing. How can we really make a judgement on this bill if you who, in terms of boards of education, will be implementing, potentially, a new charge that could have serious consequences on housing prices in the province do not even have a rough estimate as to what that impact is going to be? I do not understand. How can you even assess the social value of making a judgement as to whether we should go ahead with this type of proposal or not when you cannot even estimate what the consequences might be on affordability of housing in the province?

Mr Sherlock: Sally would like to comment on that.

Mrs Longo: I sit on a legislative committee board of the association and we had our representation, as we mentioned in our brief, from staff people of the ministry and the Treasury. They did do a mathematical exercise for us that showed that for a separate school board it could well be in the area of \$5,000 per unit lot levy, so that exercise has been done. As far as school boards doing exercises are concerned, perhaps the delay has been that the regulations and the bill are newly out, giving some indication as to how those might be calculated.

Mr Morin-Strom: When you say \$5,000 per lot-

Mrs Longo: Per unit.

Mr Morin—Strom: That is for the separate school boards. Of course, there is the right here for public school boards to impose charges, and in areas like Ottawa—Carleton where you have a francophone school board—in fact, it was the Ottawa—Carleton area that had given us the suggestion it could be \$10,000 to \$15,000 in that area. Are we looking at the possibility of a series of these charges from the various boards, adding up to quite a large figure?

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Mr Sherlock: We cannot speak for the other boards. Again, in our appendix you will see that our board of directors took the social costs into account and it is reflected in one of our recommendations to the interministerial committee. We are aware of that, and concerned, but our major responsibility is to try to deliver the educational service to our children.

We did not initiate this legislation; we are responding to it. We are giving qualified support and I think we share some of the concerns you have. But we have to find sites. We have to pay for them and pay for buildings, and I can tell you, for separate school boards, that we are in a very difficult transitional challenge to do that at the moment. We do not wish to make housing any more unaffordable than it may be in some places.

Mr Ferraro: I have just one question because I do not often get the representatives of the separate school trustees' association here. Thank you for your presentation. My question is, could you give me an idea as to the approximate range of time required, once the funding is provided, if you will, by the government and by the taxpayer, more often than not, when you get the capital allocation from the provincial government, to go ahead with construction? From that point to the time the school opens, is there an approximate time frame?

 $\underline{\text{Mr Sherlock}}\colon I$ would say that if you really expedite all the ministry approvals and the planning phase and so on, for an elementary school you might be able to do it within a calendar year; for a secondary two to three years.

I can tell you that at the moment in Halton county, where I am, we are building a high school. We have the major construction firm of the province, Ellis—Don, building a secondary school. We tried to do it within a year and we are going to come up a couple of months late, I think. But I would say roughly a year for an elementary and two years or more for a secondary school.

Mr Ferraro: Thank you very much.

Mr Mackenzie: Just two points: First, I do not think we have had the three examples that were referred to here as to the potential cost of the levies that were done by the ministry, or the ministry did for you. You said there were three mathematical examples presented to you?

Mrs Longo: They did do a mathematical exercise. May I just refer this to Mr McCabe, our staff, to expand on that.

Mr McCabe: It would be a case of the two school boards working together—thank you; I wanted to correct the error that may have been left with Mr Morin—Strom—planners co-ordinating through the building permits department of the county government or the municipal government, determining what, on average, one can expect in building permits. Then from there you can go to a ratio of children expected per house. This would be public and separate, elementary and secondary. It then requires X number of pupil places elementary and similarly at the secondary. Depending on socioeconomic areas, that is going to split off on so many classrooms, so many schools public and so many schools separate.

When you get that all worked out at a cost per square foot, you can then project the cost of this series of buildings, reduce that cost by the grants applicable and we now have the local school board's share. We can then project the corporate commercial to reduce the municipal residential levy and we would end up—on the public separate in that example it was a \$5,000 lot levy, having been reduced, if memory serves me right, from \$7,000 by a corporate commercial component.

Mr Mackenzie: I am wondering if that information that was put together for you people could be put together for the committee as well.

 $\underline{\text{The Vice-Chairman}};$ Was it the Ministry of Education that did that for you?

Mrs Longo: Yes.

Mr Mackenzie: The question I have is not meant to be facetious, although it may sound a little bit so. In your Ontario Separate School Trustees' Association endorsement of Bill 20, with some reservations, I gather, from some of your boards, does it not bother you at all, the principle of the transfer of cost and responsibility that we are seeing in this legislation to the municipality, to the school boards, from the province in terms of the lot levy?

Mr Sherlock: I think that our association and all trustees' associations, through our umbrella group trustees' council, have frequently expressed concerns with respect to the share of the cost.

<u>Mr Polsinelli</u>: Mr Sherlock, I posed this question to the previous presenter, who had alleged that there was a transfer of responsibility here from the provincial government to the local school boards.

Mr Mackenzie, here are the people who perhaps can answer the question. I have heard it said that historically it was the responsibility of the local boards to build the schools. Could you comment on that.

Mr Sherlock: My own involvement goes back about 25 years. Over that period of time, there has always been some level of provincial assistance both for the acquiring of sites and the construction of schools. Further back than

one quarter of a century ago, I am not sure that I could give you an informed reading on what was happening. I have some local impressions but I am not sure that they apply provincially.

The Vice-Chairman: Next we have Mr Anderson from the Municipal Electric Association. I believe the brief has been distributed for the benefit of the committee. Please have a seat and identify yourself. You have approximately half an hour, until just a little after four o'clock. You can use it all for your presentation or a mixture of presentation, questions and answers. We are entirely in your hands.

MUNICIPAL ELECTRIC ASSOCIATION

<u>Mr Anderson</u>: I am Carl Anderson, chairman of the Municipal Electric Association, and with me is Tony Jennings, our chief executive officer.

Basically, we are asking here today that electricity services be excluded from this bill, which may be a little different from some of the other people appearing before you. We seek exclusion of electricity from this bill because Ontario Hydro now has the regulatory effort to look after all our charges as established by section 95 of the Power Corporation Act. All our rates and charges must be approved by Ontario Hydro, so there is already that in place.

The Ontario Energy Board already has hearings every year with Hydro to determine its total costs and the costs that are to be passed on to the consumer in this province. Through that, it is then passed down to us and the municipal electric utilities and we carry on from there. We believe that some way or another, inadvertently, we have become involved in Bill 20 and that if it goes into effect, we would effectively have two masters in this, Ontario Hydro, with its regulations under the various acts, and then Bill 20.

The MEA is an organization of 316 municipal utilities in this province. We serve 70 per cent of all the customers and 80 per cent of all the residential customers in the province, so we speak for the vast majority of voting people in Ontario. Our organization has to do with the setting of standards in the utility, co-operating and sharing information among the utilities, interventions such as this, when necessary, training of people in the organization to set some common policies and to provide whatever other member services are required from time to time, such as insurance and other things like that.

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We are all autonomous commissions. We are either elected or appointed, and the appointed ones are autonomous also. We have as our theme "power at cost." The costs must be paid by the users of power in this province and we have no other sources of revenue from taxes or things like that. We basically have the Power Corporation Act, the Public Utilities Act, the Municipal Conflict of Interest Act and the Municipal Election Act, which govern all the activities that we are involved in. For charges, we come under section 95 of the Power Corporation Act and section 50 of the Planning Act.

Basically, the charges that we become involved in are charges that come about for overhead to underground. By law, we have to supply basic electricity service to everyone in this province. If you require or want a Cadillac service rather than a Chevrolet service, then somebody has to pay for it and pay extra for it, so there is usually a charge for the differential between overhead and underground.

There are other times when we run into problems and that is in areas of rapid development such as in Vaughan, Markham and other places where you just get unbridled growth. Developers come to us and say: "We want a subdivision in tomorrow. We're going to put a shopping centre in tomorrow and we want you to provide the electricity services for it tomorrow. We're not willing to wait through the normal process." So you have to add people and other items in order to get those services. If you are going to want accelerated services from us, then some of the utilities are forced to charge services because of their small size and growing size. But that is not all; that is only some, in those two particular areas, the one of rapid expansion and the one from underground to overhead.

The only sources of capital we have are the current customers paying their bills and the depreciation on whatever we have. We can borrow, which means all present and future customers are going to pay for it, or there can be development charges that benefit the few customers who are getting a service that I maintain is really beyond the norm of what most utilities supply.

The problem, as we see it, is that Bill 20 and the Power Corporation Act together give us two masters: one is Ontario Hydro setting some kind of charge or setting control over our charges, and then there is a municipal council, a municipal board, setting some other kinds of charges. If you look at page 6 of our brief in the second paragraph, you will find one of the more gruesome scenarios that would come under it, where Ontario Hydro would say these are acceptable charges for this development. It would then be taken to a board which would decide that they were not acceptable. Then we come to the point of whom we charge. Do we charge you who have been paying your bills regularly? Do we borrow and then everybody has to pay?

What do we do? We have no real answer to the problem. We cannot raise the money and we cannot assess anybody because we work basically at power at cost. I see a real problem here in somebody saying, "You can rely on goodwill that this will never happen." But if we had such tremendous goodwill in the province, we would not need legislatures, laws or anything else. It just does not work.

We also have the Ontario Energy Board which oversees all the expenditures of Ontario Hydro, and that is a third power that we deal with right now. Basically, it is our belief that because we already have things empowered through the Power Corporation Act—and if you do not have one, I will be able to provide it to you or you can obtain it—things in section 95 of the act that do control us, we see that they should be eliminated.

We also see some other problems that are involved in this. First, we are not listed as hard services, and I think one of the previous people said we should be listed as a hard service if we are going to be included at all. We have a little different bit of autonomy because we cannot charge one class of people more than another class of people.

We only have three classes of people. We have residential customers, commercial customers and industrial customers and those three we can have a different charge for, but those are the only three groups of people who can get different charges and those charges are supposed to reflect the cost to a commission of its electricity.

We do not have anybody else to charge. We cannot even make a donation to charity because we cannot give public funds away.

Mr Jackson: How about a political party?

Mr Anderson: No. We are even banned from that high form of charity.

Mr Mackenzie: Others have found a way to get around that.

Mr Anderson: I would be pleased to try to answer some questions.

<u>Mr Reycraft</u>: You indicated in your presentation—and thank you very much for bringing it to us today—that, as a general rule, public utility commissions or hydroelectric commissions do not accept the principle of development paying its own capital costs. I think that is the essence of what you are saying.

Mr Anderson: I would say that likely the majority of us charge the difference between overhead and underground for a developer putting in a development. I speak for my own situation in North York, that part of the overhead is being paid for by the customers through their rates. The difference between overhead and underground in another large section of the city was paid for by the developer. Those are the charges we have.

In some of the newer areas—Markham, Vaughan and I guess Guelph—they have had other development charges that vary, but there is a problem with that inasmuch as they are regulated by a rate of return on capital. If you do not get capital, you cannot get a rate of return which means they are going to have to go out and borrow some time in the future. This is suddenly beginning to catch up with some utilities and they are now having a second look at what their charges are.

It is not an easy one.

Mr Reycraft: Is there a trend in the province with respect to new development regarding the use of overhead wires versus underground installation in new development?

Mr Anderson: Basically, most municipal councils have said that you must put in underground. Therefore, the developer has no choice, which means then how do you pay for it? It is unfair for all the people who have overhead to suddenly start paying for those people who have underground because everybody would like their services underground and there is just no way you could afford it.

<u>Mr Reycraft</u>: In those situations, does the developer negotiate an agreement with the hydroelectric commission or the public utility commission?

Mr Anderson: Yes.

Mr Reycraft: The rules then on those kinds of agreements, I assume, are as flexible or as varied across the province as they are for municipalities. Is that true?

Mr Anderson: Yes. There would be fair differences between various utilities.

Sometimes it costs you more to put in underground because of soil conditions and other conditions in one location than it would in another location. That is the same with overhead, if you are putting it in. They can vary considerably from one place to another, where you have to put it and the type you have to put it in—who is going in with you also, whether it is Bell Canada or others.

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Mr Reycraft: Do developers and builders complain about unfair demands being placed on them by commissions in the same way they have complained in the past about municipalities?

<u>Mr Anderson</u>: I would say I likely could count on one hand the ones I have ever heard of in this province. The electricity end of things has not been a problem as far as I am aware of in this province, the supply of service of electricity, because it is on a cost basis; nobody is making money. What you get is what you pay for, over and above our basic service.

<u>Mr Reycraft</u>: In most cases, if a developer wants to use overhead, the cost of installing that new service in a subdivision in a municipality is borne by the existing ratepayers, as opposed to by the developer himself.

Mr Polsinelli: Mr Anderson, I would like to compliment the hydro commission of North York, yourself and the other members of the commission for the fine job the commission has been doing for these many years.

The Vice-Chairman: Where are you from?

 $\underline{\text{Mr Polsinelli}}$: I thought it would be appropriate, since he is here and I am one of his constituents, so to speak.

Mr Jackson: But you charge him more than he charges you.

 $\underline{\text{Mr Polsinelli}}\colon I$ probably would if I were in his place, but that is another story.

I am having a little bit of difficulty understanding your presentation because, as I understand the Development Charges Act, it would say that if growth in a particular area requires a municipality to incur additional capital costs—let's say a hockey arena that is required—in calculating what that hockey arena is going to cost to build, the municipality would be allowed to take into its calculations the cost of installing hydro services to that arena. That would be an element of determining what the development charge would be. That charge to connect the hydro service to the arena would be one of the factors that would be used to calculate the development charge.

Mr Anderson: There may be no charges.

Mr Polsinelli: Well, there may be none; there may be some. But are you saying that the municipality should be prohibited from taking into account whatever costs there may be of connecting hydro services to that arena that is created by the new growth?

Mr Anderson: No.

Mr Polsinelli: You are not saying that?

Mr Anderson: No. Can I pass this to Tony?

<u>Mr Polsinelli</u>: Perhaps you can expand on it a little longer because, in referring to the example that you give on page 6, you say that "the developer disputes the charges as not supported by a municipal bylaw." I would think that the developer would have a right to dispute the development charges bylaw as not taking the appropriate factors into consideration in calculating

the charges. That is to say, they could go to the development charges bylaw and say, "Look, the factors that you have used to collect for the hydro service to this arena under this particular bylaw are inappropriate." They can dispute that.

How could they go to the commission and dispute with it that, since the bylaw uses one figure, the commission should use a lower or higher figure, whatever the case may be?

Mr Jennings: I think there are two parts to the answer to your question. The first one, as we understand it, is that there can be appeal of the bylaw, setting out the nature of the calculations and, in this case, they can be very complex. I just finished looking at one, to get myself familiar with it, from one of the Toronto area hydro commissions, which was something in the order of 40 or 50 pages of bases for making. That is the first step. They can appeal that.

Mr Polsinelli: Perhaps, in following that point just a touch, if they appeal that bylaw, then the parties to the appeal are the person who appeals the bylaw and the municipality, that is, the developer and the municipality. How would that impact North York Hydro? North York Hydro in that case would only be supplying figures to the municipality in order for it to calculate its bylaw.

Mr Jennings: There is a bias there in terms of somebody like Mr Anderson, I guess, who is elected to a position on the hydroelectric commission, to want to be involved in defending his own rates, for starters.

 $\underline{\text{Mr Polsinelli}}$: But it would not be Mr Anderson or the hydro commission defending the rates. It would be the council, at the Ontario Municipal Board, defending the figures that it has used as being the appropriate rates.

Mr Jennings: I agree. There is a separate appeal to a specific charge, and that is what was being referred to here, but just in what you are referring to, since they cannot fall back on tax dollars—

Mr Polsinelli: Who cannot fall back?

Mr Jennings: The hydroelectric commission.

<u>Mr Polsinelli</u>: I still have not understood how this bylaw, which impacts on the municipality and impacts on individuals or corporations who are developing in a municipality, is going to negatively impact on the hydro commission. I still have not understood it in terms of the appeal process yet.

Mr Jennings: Let me take you back to the top of page 6. The rates charge could have been made under section 95 of the Power Corporation Act.

 $\underline{\mathsf{Mr}\ \mathsf{Polsinelli}}\colon \mathsf{So}\ \mathsf{you}\ \mathsf{are}\ \mathsf{saying}\ \mathsf{that}\ \mathsf{the}\ \mathsf{council}\ \mathsf{would}\ \mathsf{take}\ \mathsf{your}\ \mathsf{rates}\ \mathsf{under}\!\!-\!\!\!-\!\!\!$

Mr Jennings: No, the hydroelectric commission would normally get approval of Ontario Hydro.

Mr Polsinelli: For the rates that it would charge?

Mr Jennings: For any kinds of charges or rates.

Mr Polsinelli: Okay, fine.

Mr Jennings: Recently, because it is more convenient because of the relationship between hydroelectric commissions and their councils, they have chosen to go under section 50 of the Planning Act. Since the municipality is dealing with the developer anyway, one of the things it has typically done is say, "You must have the agreement and work out your arrangements with the hydroelectric commission." Then they deal with the individual hydroelectric commission on what, if it is the difference between overhead and underground, that is going to cost in this specific case.

Mr Polsinelli: Right. That would not change.

Mr Jennings: As I understand-

Mr Polsinelli: That would not change because those are services that the developer would be providing to the subdivision proper.

Mr Jennings: Yes.

 $\underline{\text{Mr Polsinelli}}\colon$ That would possibly still be negotiated under section 50.

Mr Jennings: Theoretically, it could. It may extend to having to upgrade the service that gets the power to that area.

Mr Polsinelli: That would be-

Mr Jennings: Similar; I agree.

Mr Polsinelli: —deliberations between the developer and Hydro as to the type of service that they wanted to the area.

Mr Jennings: As I understand, as we are advised by our solicitor, the bylaw would have to set out in some detail what the basis of the calculation is.

Mr Polsinelli: For the development charge, yes.

Mr Jennings: For the development charge. Let's assume for a second that, based on that, development goes ahead, some money is paid to the hydroelectric commission, the hydroelectric commission goes—

 $\underline{\text{Mr Polsinelli}}$: Hold on. Based on the bylaw, the development goes ahead, so the developer would have to pay a certain development charge for the development.

Mr Jennings: That is true.

Mr Polsinelli: All right. On the basis of that, no money is paid to the commission yet. How would money be paid to the commission? That has nothing to do with the subdivision itself, because the commission would still be negotiating with the developer in terms of bringing hydro services to the subdivision.

Mr Jennings: You are saying that is separate from-

Mr Polsinelli: Sure, because the development charges bylaw would be

a pool of money that the municipality would stockpile to build the growth-related capital facilities: fire hall, hockey arena or the like.

Mr Jennings: Yes, but it includes putting in water, putting in sewers, putting in roads.

 $\underline{\text{Mr Polsinelli}}\colon \mathsf{To}$ those new facilities that the municipalities would build.

Mr Jennings: And to the subdivision, as I understand it.

<u>Mr Polsinelli</u>: They are separate, because in a subdivision, as I understand it, most of the hard services are installed by the developer. He would install the roads, he would install the sewers, he would bring in the water line, he would pay for the provision of electrical services through negotiations with Ontario Hydro, so the developer would pay all the hard services in the subdivision.

Mr Jennings: In some cases the hydroelectric materials are installed by the developer, but in many cases what we have been looking at was the subdivision. These are in fact installed by the utility.

Mr Polsinelli: And charged back to the developer.

Mr Jennings: According to our lawyer, that is a development charge and would be caught under Bill 20. It would also be caught under the regulation of section 95, and if Ontario Hydro and, let's say, the Ontario Municipal Board have a disagreement on philosophy, because the utility does not have access to tax laws, it is between two stools.

<u>Mr Polsinelli</u>: I think I understand what your problem is. Mr Tassonyi is here. Perhaps he would like to comment.

The Vice-Chairman: Yes, let me just ask if you would.

1600

Mr Tassonyi: This issue is complex and part of what Mr Jennings is telling you reflects some discussions that have occurred between him and me on this issue. I am not sure I can entirely clarify this for the committee's benefit either.

The Vice-Chairman: Not in two minutes or less.

Mr Tassonyi: Not in two minutes or less, but there are possibly two ways of looking at this issue: One is perhaps to suggest that the hydro activity may be looked at like a municipality's activities in providing services to a subdivision. In order to deal with the hydro situation, in order to deal with the concern about the installed services—the change from overhead to underground services—the proposal, I think, would be to amend the act so that this negotiation is included as part of subsection 3(6), and so on.

To carry that further, this possibly would also require further amendments to the act, if this is the committee's desire. I am not expressing the ministry's point of view because we have not really worked out a formal position on this matter. Probably it would also require an amendment so that the hydro charges that would be included for hydro services would be

collectable about the same time as upper—tier services were necessary for the building of the subdivision, such as water, sewer and roads.

What I want to try to make clear—I stand to be corrected—is the distinction between what we relate to these kinds of negotiations carried on between the developer and the hydro utility with respect to these localized services, and what might be viewed in some sense to be rather akin to the trunk sewer idea at a regional level, or a treatment plant, where there is probably an analogous sort of thing that in a sense brings the electricity up to the subdivision.

If you need an additional transformer station, if you are charging the whole cost of that transformer station to one specific subdivision—that is highly unlikely because probably you have a whole catchment area—from our perspective, I think—I might be wrong—the idea is that those capital costs could be put into and included in the municipal bylaw process as part of its schedule of development charges applicable, and so on, but it would be in line with the designated classes of users.

In a sense they would be relying on you for the definitions that are applicable. At this point in time, the wording in section 3 is sufficiently flexible to accommodate precisely that kind of input. So then if a developer takes this bylaw to the board in the first instance to challenge the overall bylaw, in a sense the local hydro officials may be called in to explain, "Well, we needed this transformer station and Ontario Hydro has approved such and such a rate for such and such a transformer station." I suspect the board would say: "That's fine with us. That's legitimate and I don't think we have grounds to question that."

That is one option because that puts you within the ambit of the few amendments to this legislation. The other one is, of course, to take it right out and purposely exclude your part and parcel of this. I am not advocating that position. It certainly does not reflect the thinking in my ministry at the moment, which is to suggest that you are in. The point, as I understand it and it has been made clear in statements of the minister and the parliamentary assistant on this matter, is that part of the purpose of this legislation overriding it was to create some kind of consistent framework for looking at this whole process.

What we are afraid of is that if we build in too many exceptions—taking things out—we are just going to be back to the problem where everything is suddenly going to be turned into a local installation charge, including the York—Durham sanitary sewer, which runs from York region right down to the Duffin Creek plant. I should not say that. I worked for the region of Durham, so I have some understanding of how these shenanigans can happen at the municipal level. That is my concern. We do have this concern about perception, so those are two options.

Just to make a further point, I am not surprised Mr Polsinelli is confused by page 6 because I think it is dead wrong. It is not the way in which that would operate.

The Vice—Chairman: Without wanting to prolong the debate too long, maybe I will ask you to respond, and then if we need further clarification as we go through clause—by—clause, questioning or whatever, if you gentlemen would make yourselves available, we would probably appreciate that.

I am going to have to rule that Mr Ferraro and Mr Haggerty will have to hold their questions. You guys are not going to jump all over me too much if you do that, are you, Mr Ferraro?

 $\underline{\text{Mr Anderson}}\colon \text{We would have been pleased to try to answer any questions. It is complicated.}$

The Vice-Chairman: It is complicated. I thought I understood it until about 10 minutes ago, but I am now a little more confused.

Mr Jennings: Can I make just one wrapup? I think the points are well taken. My understanding, though, would be that if in fact the intent had been to capture the hydroelectric commissions, it would shown up in there, in the hard services section, in a number of places. We only tripped over the fact that we were included—

Interjection.

The Vice-Chairman: The next delegation is the town of Richmond Hill, Mayor Bell. You have your presentation or your group or whoever is going to be making the presentation. I believe there is one piece that has been handed out and there are two other pieces that are being handed out.

I will start the clock running probably at ten after four, so we have approximately half an hour or a little longer for your presentation. It can be made up of the presentation. If you want to leave some time for questions and answers, we would appreciate that as well.

 $\underline{\text{Mayor Bell}}\colon$ I intend to do that. The magazine is not part of our presentation. I am helping out our chamber of commerce today.

The Vice-Chairman: On a fee-for-service basis?

Mayor Bell: No sir, as part of my responsibilities.

TOWN OF RICHMOND HILL

Mayor Bell: On behalf of the town of Richmond Hill, I would like to thank you for the opportunity to appear today. We wish we had had a little bit more time to prepare our submission, but I guess that was not possible and that is fine. You will have copies of both our submission and our executive summary, and as you indicated at the start, there is an additional handout and I will speak to that in my presentation.

To assist me today and to help out with the technical aspects, I have asked our solicitor, Mary Braun, our development engineer, Wayne Hunt and our commissioner of finance, Fred Bauthus to join me.

We believe the proposed legislation is well intentioned, but seriously and perhaps fatally flawed. You have to understand that development is a very complex matter. With the systems and legislation now in place, we in Richmond Hill have opened close to 3,000 acres of raw land to new development over the past 10 years and we have done it with a minimum of problems, with a good degree of rapidity, with the consent and co-operation of the development industry and without placing undue strain on the existing municipal taxpayer. The system works well.

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It will all change under Bill 20 as it is currently drafted. You will be creating tremendous uncertainties with this legislation. You will be creating a climate where a developing municipality will have to gamble on securing lot levies and front—end charges. I say this because the legislation says that development will proceed while lot levies are up in the air. One appeal will bring everything to a halt. Apart from the horrendous financial implications, we estimate Bill 20 will add at least a year to the development process.

I know you will be receiving an inordinate amount of financial analysis from others, so I am not going to burden you with more. I believe the region of York is appearing before you tomorrow and I understand they have data and will comment on the financial implications to the local taxpayer.

I think you people, as members of provincial Parliament, should take cognizance of the fact that Bill 20 flies in the face of your affordable housing policies in the Land Use Planning for Housing statement. It will not happen under Bill 20 because you will not be allowing it to happen.

We have come to the inescapable conclusion that the architects of the proposed legislation do not understand the development process. We know you will be receiving many other submissions on lot levies per se, so our points will be very brief.

We see the need for the educational levy. You have to get the money somewhere. We would ask, though, that you not reduce grants to the school boards, and although I am told that we will make all sorts of money on the interest, I am not convinced we want to be the collector and the administrator.

We think your exclusion of rolling stock as an item under lot levies is very ill-conceived. We are a developing community. We have made a major commitment to public transit and you are telling us that we cannot use lot levies to obtain buses. We can use lot levies for firehalls, but we cannot use them for fire trucks, and they end up costing more than the firehall. I would really suggest that you rethink that one.

The intent today, though, is to focus on front-end charges. We would like to explain what they are and I would like to walk you quickly through an actual example of how they have been used successfully in Richmond Hill. I would ask that you now refer to the handout that Ms Freedman gave you just before the start, and with your indulgence, I will go up to the maps. I do not really think I need a pointer.

On the map at my right, the long thin one, we have the town of Richmond Hill marked off in various areas. The boundaries of our town are Highway 7 on the south, the Bloomington side road on the north, Highway 404 on the east and Bathurst Street on the west. The areas that are surrounded in blue represent areas that have developed using front—end charges. The areas in pink represent areas that could develop in the future and we would propose using front—end charges. The areas in blue represent those 3,000 acres or so that I talked about earlier.

We have an official plan in the town of Richmond Hill and it designates certain areas for development. To implement that development, what we have done in the past is that we have got into passing a secondary plan and that is done via an amendment to the official plan. Once that is approved, that kicks in what we call a master servicing agreement. You can look at the handout

later, but that is used to provide a detailed review of how best to service this land, what will be required in terms of servicing and facilities. It has nothing to do with lot levies.

How do you make this land developable? You may have to do channel improvements, perhaps intersection improvements. We have an interesting situation, in one that is still coming up, where a condition of development is intersection improvements. We would propose to collect it from the benefiting developers, but you are not going to allow us, so my question is: Is the Ministry of Transportation going to help us out here?

In the master servicing plan, we see what we need in terms of servicing and facilities, how to service most efficiently, and this is where the agreements on cost recovery are implemented.

What the handout talks to you about is the Doncrest community, near the southeast corner of our town. The map at the far end is a map of the Doncrest community, which today is about 80 per cent built out. I have not really been over the thing recently, but I believe that 1985 was when the secondary plan was approved. So 3,300 houses, we are 80 per cent of the way there, and that has come into effect in three years. I have to tell you that some of it is affordable housing under your definitions.

It involved \$21 million of front-end charges. Under Bill 20, \$12 million of that would not be able to be collected. The handout tells you what that means in terms of an increase in the municipal portion of taxes. It means 11 or 12 per cent over today's tax base. It means something like 25 per cent over our 1988 tax base. These are just front-end charges for one area. When you figure front-end charges for other areas and the implications of lot levies, it has horrendous implications.

When we get to the question—and—answer part, certainly I or the people assisting me would be happy to answer further questions, but I felt it important to walk you through master servicing and the importance we place on it. Just as an aside, they cost \$300,000 or \$400,000 to prepare, and we are in the habit of the having the developers pay for that, but there is no provision in Bill 20 for that.

Basically, the charges I have been talking to you about are charges borne by the private sector, and they could very well, under Bill 20, end up as a leviable item to the existing municipal taxpayer. At worst, you could bankrupt the town of Richmond Hill. At best, I think you will bring development to a screeching halt. I really question whether either of those is an objective of the province.

I would like to close by asking you to read our submissions and just as important, maybe more important, have the architects of the proposed legislation read our submissions. Pay heed to our comments today. We want to work with you, not against you. Our technical people are always available at your convenience, as am I and as is the council of the town of Richmond Hill. I thank you very kindly, and that is respectfully submitted.

Mr Ferraro: I am sure all members will pay heed to your submission; it goes without saying. My question, though, is: Could you give some specific examples of what types of the eight categories would not be included in your front-end agreement?

Mayor Bell: Under Bill 20?

Mr Ferraro: Yes.

Mrs Braun: I can give an example of a few. One important one in Richmond Hill is drainage improvements, because we have a number of creeks that run through the town and very often before land can be developed, channel improvements or drainage improvements need to be put in place; these will reduce the risk of flooding to these lands. That often is quite a big ticket item in our cost-sharing or our front-end agreements. Storm sewers are covered in Bill 20, but storm detention ponds and actual channel improvements that might take floodplain and make it tableland are not covered. That is one example.

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Another example is the-

Mr Ferraro: Excuse me for interrupting, but if there is a retention pond required in a subdivision, that is covered. Are you talking about retention ponds outside of the subdivision?

Mrs Braun: Yes, we are. For instance-

Mr Ferraro: In other words, the categories—I will be quiet in a second—you are concerned about are indirectly, if you will, contributing to the nondevelopment area problems?

Mrs Braun: If I could give a couple of examples. One is in our Elgin East community. When we had the master servicing agreement done, the engineers identified a need to put in place what they called a flood prevention scheme; it would reduce the risk of flooding throughout the entire community. It was the feeling of the engineers that no significant development anywhere in the community should proceed until this flood prevention scheme was put in place. It was an expensive scheme and it was covered in our front—end agreement. The group of developers will front—end, and we have undertaken to use our best efforts to recover everybody's share of that flood prevention scheme. That is one example.

Another is in the Victoria Wood area in the town of Richmond Hill, near the David Dunlap Observatory. German Mills Creek runs through there. The developers under a front—end agreement put in place channel improvements that actually took 40 hectares of flood—prone land and made it tableland. Without that work none of the land could develop.

Mr Ferraro: If I were a developer in Richmond Hill, outside of the cost of doing business in Richmond Hill, quite frankly I would have some serious problems with being charged for anything in any of the categories that do not pertain to the development. I suppose where the difficulty arises is that one says: Where does it pertain to the development? In other words, if it is flooding in that area that we are concerned about as a result of the developer building in there, I think he should pay. I do not have a problem with that.

Mrs Braun: That is exactly what we are talking about. We are talking about lands that Metro Toronto and Region Conservation Authority would say cannot be developed, in the case of the German Mills Creek area, because there is a risk of flooding. Those lands without channel improvements being put in

place simply could not be developed. If a developer wants to develop those lands, we submit it is fair that that developer pick up the cost of making those lands developable.

Mr Ferraro: Have you been told by the Ministry of Municipal Affairs that these categories would not qualify, or is this your own staff's opinion?

Mrs Braun: This is our interpretation of the list of front—end services. It includes storm sewers, but we would not interpret that to mean channel improvements or construction of storm detention ponds.

Mr Ferraro: Have you had any interaction with your concerns with the appropriate ministries of the provincial government as yet?

Mrs Braun: No.

Mr Polsinelli: I am going to go to Mr Bell for a second. Mr Bell, you indicated that Bill 20 is going to add one year to the development process. Can you expand on that, please?

<u>Mayor Bell</u>: Again, I would like to ask Mrs Braun, but it has to do with people being able to take lot levies to the municipal board. I guess they can do it now, but my understanding is that even a philosophical objection by somebody having no particular interest at all clouds the issue, leads to the board, creates delay.

Mrs Braun: If I could add more detail: There is a provision in Bill 20 that, first, provides for the notice to go out after there is a front—end agreement; provides an opportunity for appeal. It says the agreement does not come into effect until the appeal has been disposed of. In our experience, that is going to take a minimum of a year to get to the Ontario Municipal Board and have a hearing. Under Bill 20, everything is brought to a halt, so we have concerns both with delay and with the timing as well, because at that stage you will have purchase and sale agreements in place.

Mr Polsinelli: If you are suggesting that a one—year delay may occur where there is a necessity for a front—end agreement, I think I can buy that, but you are not suggesting that it would occur in any other situation?

Mrs Braun: No.

Mr Polsinelli: That is good. I appreciate that response.

The other thing \tilde{I} would like to ask is in terms of the existing lot levies that the town of Richmond Hill presently has. I am sure you are aware that they rank as the highest in the province.

 $\underline{\text{Mayor Bell}}\colon \text{Would}$ you like me to take credit? I do not know if I appreciate the last part of—

Mr Polsinelli: I would like to know if the town has any detailed explanation as to how those lot levies were arrived at.

Mayor Bell: Can I just see how I read this, because it looked to me as if in February 1989 we ranked one, whereas before we ranked sixth?

Mr Polsinelli: That is right.

<u>Mayor Bell</u>: Okay. Thank you for having Richmond Hill at the top. I do not think we are number one any more. My understanding is that the town of Vaughan may have introduced lot levies which are actually higher than ours; I received criticism at a council meeting not too long ago for allowing Vaughan to surpass us.

Mr Polsinelli: The point-

<u>Mayor Bell</u>: Yes, and the point is valid. Our lot levies had been set up and had been increased based on inflation periodically during the 1980s. There was a point in time when we did not increase them. It was 1982-83 when the economy was very slow and we realized it would be a disincentive; we purposely kept them low. When times got good, the levies went up. They were last increased in July 1988.

Mr Polsinelli: When were lot levies first introduced in the town?

Mayor Bell: Good question. I am not sure. I will see if we-

Mr Polsinelli: Has there been a review since their introduction in terms of how they are calculated, or is it just an arbitrary figure that is passed by council to say this is going to be a lot levy? Is there a calculation? Is there something you go through?

Mr Bauthus: There was a levy in place prior to 1980. I worked on the calculation in 1980, and those lot levies were adopted and indexed through the Southam construction index. A review was done in 1986, I think it was. Through that review process, and of course taking into consideration the very quickly escalating costs in the York-Durham area, we recalculated the levies, which resulted in the figures coming out in July 1988.

Mr Polsinelli: I think the committee would appreciate it if the town could supply to us the analysis it went through in development of the lot levy. I know I would appreciate seeing the factors that were taken into consideration. If you could dig that up, I would appreciate receiving a copy of it.

Another question I have is: Once the lot levies are collected, are they put in a separate pool? Does the town know at any point how much money it has collected from lot levies?

Mr Bauthus: Yes. There is an individual reserve fund created for each of the components of the lot levy, and they are placed into that reserve fund and administered for the purposes of the component parts for which they had been created.

Mr Polsinelli: So the town would also be able to provide us with a list of how the levy money was expended?

Mr Bauthus: Yes.

 $\underline{\text{Mr Polsinelli}}\colon I$ would appreciate receiving that also. I think it would help the committee in its deliberations. Thank you very much for your presentation.

Mr Haggerty: I am looking at the Doncrest community front—end agreement, the breakdown. You did talk about the area of secondary plans. I am looking for additional information in this particular area. Looking at item B,

land and community service costs, you go on to "preliminary cost (community-wide)"; I guess the other ratepayers will be picking up the charge on that. Then you come to: "1 and 2 = costs associated with the preparation of secondary plans, development agreements, zoning bylaws, master servicing plan, etc."

I am a little bit confused—maybe not confused but perhaps looking for a clarification here. When you talk about servicing plans, why would that not be considered in the original plan of development instead of waiting for the secondary plan? Sometimes in this particular area when you ask for public input, they say, "We have to get the first stage approved first and then we'll go to the secondary plan." This is where the key is, that many things are hidden in there. The people outside the development area, ratepayers, are concerned because they do not get the full picture.

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Mayor Bell: In our instance, I would say the first thing is the official plan which is in place. The next thing is the secondary plan. Maybe it is called the wrong thing because it sort of implies that there is a primary thing that happens first, but what happens first is the official plan, then the secondary plan, then the master servicing agreement and then you are into plans of subdivision.

Mr Haggerty: In this case here, though, you have the official plan there now, but perhaps this area is not designated for development. Maybe it is considered rural agricultural. I imagine much of this area is. What you have to do, then, is make an amendment to the official plan by bringing forward your intent for this development in this area. Am I not correct there?

<u>Mayor Bell</u>: Yes, you would be, but in our official plan, the Doncrest area was designated in the official plan for development.

Mr Haggerty: Then the secondary plan should be coming forward now, though, not waiting until—

 $\underline{\text{Mayor Bell}}\colon$ It came forward three years ago. It is 80 per cent built out.

Mr Haggerty: It is now, is it?

<u>Mayor Bell</u>: Yes. I think we had to pass a zoning bylaw amendment, because it just had a designation and that went through the whole public process.

Mrs Braun: Yes. Our official plan set out areas that needed a secondary plan to develop and it also set out a time frame for bringing those secondary plans on. So after the official plan, we proceeded.

Mr Haggerty: But here in this particular case I am looking at, in the preliminary cost, you are talking about watershed and about conservation authorities. Should that not have been in the official plan? When you look at this part here, you talk about watershed. I raised this matter, I guess, at the beginning of these hearings with the ministry and I did not get the answer I was looking for.

Normally you have areas of watercourses there. I have seen in the past where we have had private members' bills come in by certain municipalities

that they would have a right to go on the developed land to clean up the watershed, in other words, where you have infilling. Should that not be right from the beginning, when you are dealing with the watershed?

Mrs Braun: Our secondary plans go into a level of detail that I think is necessary before you can get to the master servicing plan. I agree with you in terms of a watershed. You should know at the secondary plan stage if there are major watershed improvements that need to be done, but until you have a secondary plan and you know exactly what kind of development you are going to see, you do not know exactly where the roads are going to go.

For instance, you do not know where you are going to need a grade—separated crossing of a railway, as an example, or in detail, what kind of improvements you are going to need to accommodate the level of development that is proposed. So there is a detail that we do not have at the official plan stage that we do have at the secondary plan stage that you need before you can do a master servicing agreement.

Mr Haggerty: This is just for development purposes that we are talking about?

Mrs Braun: Yes, the official plan will, in broad terms, say that the lands are going to be used for residential, with a small portion of commercial and industrial, perhaps. The secondary plan will talk about what density of development there will be.

Mr Haggerty: In other words, I could see delay in following this procedure because you would have two objections to the Ontario Municipal Board: one at the original planning stage and then at the secondary stage.

Mrs Braun: I suppose the flip side to that is that if a municipality went to the level of detail that you need for a secondary plan at the official plan stage and someone objected and said: "I don't think that area should be residential; I think the residential area should be at the north end of the town instead of the south end of the town," I think we would be criticized for having spent a lot of money going into detail to develop road patterns for a residential development where the municipal board might say, "Make it commercial" or "Make it agricultural." I think that is a major reason why you tend to see secondary plans separated from official plans.

Mr Haggerty: What I can see here is that people could object. You could have almost three Ontario Municipal Board hearings on this one. With a little more planning study at the beginning, you could end up with one hearing at the board if there are objections.

The Vice-Chairman: Mr Ferraro, a supplementary?

Mr Ferraro: A quick question. I think it is a beautiful river, Mr Chairman.

On that example Mr Haggerty alluded to and that you have graciously provided us with, one of the costs—indeed the largest one out of the \$20 million—is the community use lands amount of \$9 million that you affixed to the development. In parentheses you have, "parks, schools and collector roads." Could you explain to me what the "schools" refers to?

Mrs Braun: Yes. What we did in the Doncrest community is that we had two elementary school sites and one secondary school site. We felt that it put

an unfair burden on those owners who had the school sites because they took such a big chunk of their property, so we developed what we considered and the group considered to be a fair value for the land they were giving up and we spread the cost of giving up that land across the entire community. Of course, we took out from that the money that the school board would pay, but school boards to date have paid less than fair market value, so we tried to spread the burden of a school site across the whole community rather than narrowing it to one land owner.

Mr Ferraro: Just so I understand this correctly, what you said was that you did not collect the money that you allocated for schools and give it to the school boards; you subsequently reduced it from the general mill rate that the municipalities would regulate.

Mrs Braun: What we did in Doncrest was, everyone was in agreement that fair market value of land at that time was \$150,000 an acre and what the school board would pay was \$75,000 an acre, so that left the property owner, who might have a seven—acre school site, with a shortfall. In effect, we spread that shortfall over the entire development community so that at the end of the day he is reimbursed for having lost \$75,000 an acre.

 $\underline{\text{Mr Polsinelli:}}$ So the property owners were reimbursed in the planning agreement.

Mrs Braun: Yes. What we would do when we were recovering both from group members and nonmembers is that when we were calculating everyone's share, people who did not have a school site threw some money into the pot to help out the people who in effect were losing money because they had the school site.

Mr Jackson: That is not going to happen any more.

Mr Polsinelli: No, but in a sense you were collecting an education lot levy, because you allowed the school board to acquire that land at 50 per cent of market value.

Mr Jackson: But it did not really start out under that pretext. It started for a whole set of other reasons because you could not load three large parcels. Only one developer is going to get nailed with the school costs of having to give up potential income from those lots. Once he sells to the school board, he has lost his potential to generate income. In a four—year development agreement or a three—year development, those lots potentially could inflate. Once he sells to the school, he is nailed. So somewhere there had to be equity built into the system where all the players participate a little more equitably. What we heard was that this was not going to happen any more.

Mr Ferraro: To carry on with my question, though, in those cases where there was a below-market value, would it not be considered by the developer when he or she costed out the price of those lots? Indeed, there is an argument—albeit you can accept it or not, it is objective—that the school site and/or a school being built contributes to the value of that subdivision.

Mrs Braun: But it contributes to the value of the subdivision for everybody in the community, not just for the person who has a school site. It is as much of a benefit to the fellow next door who does not have to give up any land but can sell his houses because children are going to have a school to go to.

We felt and developers felt there was an unfairness in the way it happened. This was an attempt to level it out, and also it was an attempt to stop people from saying, "I don't want the school site." Our plans would get nowhere, because people say, "Don't give me the school site."

Mr Polsinelli: Very quickly, did the Doncrest front-end agreement include all of the property owners in the Doncrest community?

Mrs Braun: No.

Mayor Bell: No. It included roughly 50 per cent of them.

<u>Mr Polsinelli</u>: Did it include the owners of those properties that were going to be designated school sites?

<u>Mayor Bell</u>: I know we are running out of time, but interesting cost recoveries then entered into it.

Mr Polsinelli: Thank you.

 $\underline{\text{Mayor Bell}}$: Just one comment: I have been told that if you go ahead and pass $\underline{\text{Bill 20}}$ you will not have to worry about developers offering school sites at bargain prices.

Mr Ferraro: That is right.

 $\underline{\text{Mr Jackson}}\colon That$ is correct; and, we have heard, no more deals for school boards. I accept that.

 $\underline{\text{The Vice-Chairman}}$: Thank you for a very detailed presentation. It will form part of our deliberations.

Just before we go off the record, I believe Mr Tassonyi had a question or clarification for us from the Minister of Municipal Affairs. Go ahead.

Mr Tassonyi: It is twofold. One is that the definition of "front-end services" in the act as it stands right now is in terms of storm sewer services. My understanding of the word "services" is that it is a fairly inclusive term. It is not, strictly speaking, one trunk sewer. With respect to channelization, I am not sure whether that specifically would be covered here. I would probably want to check into that.

The Vice-Chairman: Thank you. As I said, I think officials at both municipal and provincial levels probably need to do some talking.

<u>Mayor Bell</u>: As I said in my presentation, we would like to work with you and we are available at your convenience. Thank you again.

The Vice-Chairman: Seeing no further business, the committee stands adjourned until 10 o'clock tomorrow morning.

The committee adjourned at 1642.





F-13a

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS
DEVELOPMENT CHARGES ACT, 1989
TUESDAY 29 AUGUST 1989
Morning Sitting



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

CHAIRMAN: Cooke, David R. (Kitchener L)

VICE-CHAIRMAN: Pelissero, Harry E. (Lincoln L)

Cleary, John C. (Cornwall L)

Ferraro, Rick E. (Guelph L)

Haggerty, Ray (Niagara South L)

Hart, Christine E. (York East L)

Kozyra, Taras B. (Port Arthur L)

Mackenzie, Bob (Hamilton East NDP)

McCague, George R. (Simcoe West PC)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Pope, Alan W. (Cochrane South PC)

Substitutions:

Polsinelli, Claudio (Yorkview L) for Mr Kozyra Reycraft, Douglas R. (Middlesex L) for Ms Hart

Also taking part:

Mahoney, Steven W. (Mississauga West L)

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Education:

Dalzell, Elizabeth, Policy/Legislation Analyst, School Business and Finance Branch

From the Ministry of Municipal Affairs:

Tassonyi, Almos, Senior Economist, Taxation Policy, Municipal Finance Branch

From the Ontario Public School Boards' Association:

Lafarga, Ruth, President

Read, Duncan P., Trustee, Durham Board of Eduaction

Cain, Brian F., Superintendent of Business, Durham Board of Education

McKenzie, Wendy, Chairman, Policy Committee

From the City of Toronto:

Nowlan, Nadine, Councillor

Clarke, George, Commissioner of Finance and City Treasurer

Perlin, Dennis, City Solicitor

From the City of Mississauga:

McCallion, Hazel, Mayor

Lychak, Douglas, Chief Administrative Officer

Koenig, E. F., Director of Financial Management

From the City of Brampton:

Dalzell, Fred, Commissioner of Planning and Development

Marshall, Peter, President, PJ Marshall Advisory Services Inc

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Tuesday 29 August 1989

The committee met at 1001 in committee room 2.

DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

The Chairman: I see a quorum. We welcome the Ontario Public School Boards' Association: Ruth Lafarga, whom we heard from back in March when we were doing our prebudget presentation—I think we talked about lot levies at that time so we will be interested in hearing your views on the legislation now that you have seen it; the president of the association, Duncan Read, a trustee from the region of Durham and another Kitchener boy who has made good; and Brian Cain, superintendent of business from Durham. I am sorry, I have misplaced your name.

Mrs Lafarga: This is Wendy McKenzie, who is chair of the policy committee for the Ontario Public School Boards' Association and is a trustee from Simcoe county.

The Chairman: Welcome to the committee. Perhaps you could lead us through your presentation.

ONTARIO PUBLIC SCHOOL BOARDS' ASSOCIATION

Mrs Lafarga: We are very pleased to be here this morning to comment on Bill 20, the Development Charges Act.

This legislation has significant funding implications for all public school boards and is viewed differently by our diverse membership. It has caused much debate among boards experiencing significant growth and those striving to simply maintain ageing school facilities. Most importantly, however, we are united by the fact that we share common concerns about the adequacy and allocation of funds for school capital projects both to provide new pupil places due to growth and to renew existing buildings. We also remain united in our belief that the province as a whole bears the primary responsibility for education capital funding.

Without exception, our member boards are engaged in a common struggle to meet community expectations, to implement new programs imposed by this government such as reduced class sizes, expansion and addition of kindergarten programs, and incorporating child care services, while dealing with ongoing community growth and/or the maintenance of our existing capital stock. There is also the growing awareness that the added burden of financing the extension of funding to separate secondary schools is being achieved at the expense of the public school system. This remains an issue for our membership since the government is on record as stating that this would not take place.

Reaching a common approach on the issue of school lot levies has not been easy given the demographic differences among Ontario's public school boards. Our recommendations express our united concern over the ongoing and

growing need for increased capital funding and our alarm at the change in the government's funding philosophy which is shifting responsibility from the province to the local community. This is not acceptable to Ontario's public school boards and we are concerned about the long-term implications of the Development Charges Act.

The association does acknowledge the series of increases in the total amounts committed to school capital projects by the provincial government since 1985. Underfunded on capital projects for many years, we appreciate that provincial grants have risen from \$74 million to \$300 million a year, including a historic first, a three-year advance commitment.

The increased support, however, is not keeping pace with school board needs. In 1986, school boards requested \$600 million. Those requests have continued to increase: in 1987, \$1.1 billion; 1988, \$1.7 billion; 1989, \$1.9 billion a year. Last year, school boards submitted five—year capital expenditure forecasts to the Ministry of Education. The five—year total for all school boards was \$5.8 billion. The vast majority of this amount is to meet growth needs.

We have a number of recommendations. The recommendations are summarized at the end of the presentation, so we will not be reading that. I will ask Wendy McKenzie if she will help in going through the recommendations with you.

Mrs McKenzie: The first recommendation that I would like to focus in on is the drop in the provincial grant rate. The 1989 Ontario budget disclosed a change in provincial policy in terms of school capital. The average rate of provincial support for approved capital projects was reduced from the traditional 75 per cent to 60 per cent. From the point of view of the local share, this means an increase of 60 per cent, from 25 per cent to 40 per cent overall. This policy change is another unwelcome example of the provincial government offloading its responsibilities to local revenue sources. We strongly ask this committee to recommend a reconsideration of this policy.

At this point, I would like to submit the recommendation from OPSBA that the committee include in its report that the Treasurer (Mr R. F. Nixon) reconsider the policy of reducing provincial support for school capital projects from 75 per cent to 60 per cent on average.

I would now like to focus in on the development charges. The public school boards in the province recognize that education development charges will lighten the financial burden of the local school ratepayer in high-growth areas. However, we fear that the education lot levies are being viewed as a permanent method of capital funding for education. OPSBA believes that the current need for funds from education development charges is valid, but the use of these funds must be viewed as a short-term solution for the present crisis only. Even this stopgap solution to the ever-increasing need for more pupil spaces will not make up for the backlog of underfunding that has filled our schoolyards with portables across the province.

We emphasize that there must be a phase—in period for the Development Charges Act. We feel the accessing to lot levies will not occur for some time. We emphasize the need to retain the 75 per cent grant for our present capital needs until the time occurs that we are able to access for lot levies.

We feel the Waterloo County Board of Education's response to the government's green paper, Financing Growth-related Capital Needs, really speaks for all public school boards. I quote from their response: "The learner

should not be viewed as the cause of a required educational expenditure. The need for facilities is due to the provincial responsibility for education and legislation which requires school attendance. Therefore, the funding of the capital costs of education should be primarily a provincial responsibility and funded from the general revenues of the province."

This association agrees with the provision of Bill 20 which limits the effective time of a school board bylaw imposing an educational development charge to a maximum of five years. An amendment or renewal of the bylaw requires a review and public scrutiny, with the possibility of an appeal to the Ontario Municipal Board. We support the principle of sunsetting these bylaws. The principle should also apply to the statutory provisions for education development charges.

The Waterloo statement highlights the change in provincial philosophy in school finance discussed earlier. In light of these feelings throughout the province, public school boards want the assurance that education development charges will have a five—year limit, at which time Bill 20 must be reviewed and debated in the House before it can be renewed.

Ruth is going to carry on with local decisions on the levy.

1010

Mrs Lafarga: It is interesting that our estimates are that there will be, in the fall of this year, in September when our schools open, some 7,500 portables in use around the province in our schools and that there will be some 200,000 students housed in portables. That just gives you some indication of the need for additional capital.

We are very pleased that the bill does provide for local decision—making, particularly in view of the very strong feelings that are felt about this particular issue and we do welcome that this is provided in the legislation.

However, boards are concerned that should they make the decision not to implement lot levies, they will in fact be discriminated against in getting grants from the government. We would ask for some protection, that if it is a local decision not to go this route they would still get equal consideration from the province in terms of their capital needs. I believe the decision to access the lot levies will be made in conjunction with municipal councils, I believe in consideration of what the housing market is and many other things that will have to come into play, such as the philosophy of people on the board. We would certainly hope there will not be any penalty.

Our next item deals with the pooling of education development charges. We are fundamentally opposed to any form of pooling, including the pooling of funds collected for the education development charges. We can see some quite considerable problems that will arise from this, particularly if one board puts through the provisions to move to development charges, the account is established and then several months later the coterminous board makes the decision. As to the sharing of that money that has already been collected, how would that be done and is that fair?

Mr Cain is superintendent of business with a school board and has already had discussions with the coterminous board over this particular issue. I would ask you to direct any of the questions in the technical area to him, because he has already really looked beyond the actual Bill 20 stage and at the implementation. We have recommendations in that particular area.

Wendy will now comment on the treatment for municipalities and school boards.

Mrs McKenzie: One of the areas that we are concerned about in Bill 20 is that in some areas it treats municipalities and school boards in a parallel way, but in others there is some inconsistency. One discrepancy arises in subsection 29(5), where we feel that there is a lack of parallel treatment.

Municipalities do not pay an education development charge for their administrative buildings, while school boards could be required to pay municipal development charges on school board administrative facilities. The bill is a little vague in determining who will be exempt and what buildings will be exempt from development charges. We feel this should be clarified before the bill leaves this committee.

In education capital costs, I would like to focus in on the definition of "capital costs" for the purpose of education development charges, which we feel is unduly narrow. It would apply to school sites, school buildings and related studies. School boards must also provide for furniture and equipment, a core of books for school libraries, school buses and related administrative facilities to meet the needs of growing communities as well.

The existing capital grant plan of the Ministry of Education makes provision for furniture, equipment and school buses. In terms of costs eligible to be financed by development charges, we would seek the same consideration in every respect as this committee provides for municipalities.

Mrs Lafarga: As far as the collection of development charges is concerned, we believe we will not be responsible for the collection of education development charges. Therefore, we do not feel we should be responsible for the collection of the bad debts that may come as a result of that. We certainly do not believe municipalities should carry the financial burden, but the provisions in section 38 that any unpaid education development charges should be added to the tax roll and collected as taxes seems to be sufficient protection. The added protection in section 37 providing that a school board may register or deposit a lien on the land subject to an education development charge may be both unnecessary and potentially a new kind of administrative burden for school boards. We would ask that the committee consider whether that is actually necessary in the legislation.

Our last recommendation is, I suppose one might say, relatively minor but it has rather serious ramifications. We believe there is a technical difficulty with the wording and that the prescribed per cent could be to the declared value of the building permit. This could be interpreted to mean that the charge applies only to the fee for the building permit and not to the value of the development project. We would ask that this be amended so that there is no room for misinterpretation there.

This constitutes our presentation and our recommendations. We are at your discretion for guestions.

Mr Reycraft: Thank you for coming before the committee to make your presentation this morning. I have a couple of questions, but perhaps I could just pursue one of them at this point, Mr Chairman, and then if time permits, I might like to go back and ask additional questions.

The Chairman: All right.

Mr Reycraft: It deals with your first recommendation and that is that this committee should recommend to the Treasurer that the amount of provincial support for school capital projects be left at 75 per cent. If we accept the Treasurer's statement that the reason for reducing the level of provincial support was to allow for the approval of a larger number of projects from the \$300 million that was made available in each of the four years, it seems to me that if we accepted your recommendation, then we would have to reduce the number of schools that could be constructed with the \$300 million allocation. I am sure that if you had your choice of all options, you want us to increase the amount of money that was made available for school capital each year.

Assuming that the Treasurer is unable to do that, we are left then, it seems to me, with two options: reducing the level of support or reducing the number of the projects. When you are asking that the level of support be left at 75 per cent, are you suggesting that the number of schools to be approved each year should be reduced?

 $\underline{\text{Mrs Lafarga}}$: No. We are very pleased, as we said, about the \$300 million. Unfortunately, that figure is now staying constant again. That has been in place and I believe it is for four years we are looking at the same \$300 million figure.

The Chairman: Guaranteed minimum.

Mrs Lafarga: We are looking at a \$300 million figure, which if you look at inflation, is in fact reducing the amount that will be available in the fourth year as opposed to the first. I think one of the things we have to realize is that in the areas where growth is taking place, the burden on local school boards to provide new pupil places has the potential of infringing on the quality of program because we are really having to put so much of our resources into providing schools. A great deal of the initiative for those new schools is coming from the provincial government with the junior kindergarten initiative and the reduction in the class sizes.

I do not know that it is fair to put that back on the local taxpayer when boards are already strapped and there is very little money for the renovations that are taking place. We do not need to see an additional burden by reducing that grant rate. If you look at it, the grant rate is being reduced from 75 per cent to 60 per cent and that takes effect next year. Even at the very earliest, if everything fell into place perfectly, the legislation went through, school boards went on their round of consultations—and there are a number of consultations we have to go through—with no challenge at the OMB, I believe it would be well into next year before we saw any money from lot levies at all, but the need for the schools has already come from the development that has taken place prior to that.

We are into a period where we are being squeezed really from both ends. The reduction has taken place to 60 per cent. We are getting no infusion of funds from the lot levies and those lot levies will be about development that will be causing growth somewhere else.

1020

Mr Reycraft: Supplementary question, Mr Chairman: I want to go back to my original question. You may not wish to answer it. If the Ministry of Education is not able to get more than \$300 million for capital allocation in a particular year and you have the options of either reducing the level of

provincial support or reducing the number of schools that can be approved, which of those two options is preferable in your opinion?

Mrs Lafarga: We may have to do something else that I believe has been discussed in committee, which is to look at using those facilities on a year-round basis and extending the use of them. I think that is an option. I do not think there are just the options that you have given me.

I think we have been creative in getting an infusion of funds from lot levies and I think we have to continue to look at creative ways of solving the problem.

The Chairman: We have nine minutes. Mr McCague, Mr Mackenzie, Mr Pelissero.

Mr McCague: In your recommendation 3 you hope the boards will not suffer if they choose not to implement lot levies. I presume that even though you have recommended 75 per cent across the board, you are saying that if a board chooses not to implement lot levies, they should be given 75 per cent and not 60 per cent. You are probably further saying that you hope a board that decides not to use lot levies will not be penalized in the allocation of funds. Have you done any work at all to determine how close the money earned through lot levies will be to the 15 per cent reduction that you would take in capital grants?

Mrs Lafarga: Mr Cain, can you, as our technical adviser, pitch in.

Mr Cain: We have not done a specific calculation, but there is no question that the shortfall of the 15 per cent shift will be absorbed, because it will be an approved amount. It will be absorbed by lot levies. So within the calculation, when that announcement came down this spring telling us there would be a further 15 per cent shift to the local level, we did not go back and recalculate what we thought lot levies might be. But there is no question the development charge will pick up that shortfall.

Mr McCague: Has the ministry made any statement at all about the fact that lot levies may not make up that 15 per cent difference, but might make up a portion of it and therefore the grant rate would not be 75 per cent, but maybe 70 or 65 rather than 60?

The Chairman: Does the ministry have any comment on that question?

 $\underline{\text{Ms E. Dalzell}}$: The intention is that on an average rate of support of 60 per cent, the 40 per cent will be made up by the lot levies. If you talk about the approved cost to the school and any costs above that which are not considered approved, that difference will come off the local tax base.

Mr McCague: I think it is conceivable that there are many boards where the development is not such that they could raise the 15 per cent differential through lot levies without charging a levy of \$10,000 to \$15,000.

Ms E. Dalzell: The idea is that your costs are based on your pupil yield and your development. If you do not have the development occurring, you do not need the pupil places and therefore your construction costs will not be as high.

 $\underline{\text{Mr McCague}}\colon \textbf{I} \text{ suggest to you that it is not that clear, that there}\\ \text{will be some areas of the province where development charges will have to be}$

tremendous amounts of money in order to make up the 15 per cent that you are saying is going to be the reduction in capital grant.

Ms E. Dalzell: The other idea too is that the commercial-industrial charge will be available to reduce the quantum of the levy for all development that will occur.

Mr McCague: Good luck.

Mr Mackenzie: We are going after the same thing in a slightly different way, the angle of the potential increase in housing costs as a result of this transfer of ultimate funding from the province to the municipalities. Have you people done any checking or investigations at all to come up with potential figures that might be needed for lot levies in various growth areas in the province?

Mrs Lafarga: No, we have not been in a position to do that. I think, though, that our philosophy is that certainly, as a result of growth, there is increased demand for schools. It is our belief that schools should probably have a higher social priority than arenas and parks. Municipalities have been funding these things through lot levies for a number of years, and we believe that schools are more important in the social fabric than those facilities—not to say that they are not important—and therefore that we need relief in terms of funding them.

I believe that there will have to be compromises—and I think this is the dialogue I was talking about earlier—between the municipalities and the school boards to work out these things collectively and in agreement about what we can in fact impose on new development.

Mr Mackenzie: I do not think many of us will disagree with the importance of the schools and the education system, but there are those who would argue just as strongly that every bit as fundamental, if not more fundamental, is the question of housing. In terms of fixed-income people and lower-income people, affordable housing, as they state today, is a real problem as it is. One of the angles we have to take a look at is what this is going to mean in terms of additional housing costs.

That is why I would wonder whether or not the shortfall is made up on the 15 per cent, whether you are going to need more or less in some areas or whether you have done any actual study as to what was likely to be the size of the levy in various growth areas in the province.

Mr Read: Part of the answer to that comes from provisions of the bill itself in terms of—I cannot quote you the specific section, but there is a section in there that gives the boards the power to set different rates of levy on different types of housing. There would be a likelihood that the boards would be prudent and sensible and the higher rate of levy would be on the higher-priced houses that are likely going to generate more families than on those things that are designated as affordable housing, however this government chooses to define that.

 $\underline{\text{Mr Mackenzie}}\colon$ They do not necessarily provide the higher family levels in the more affordable housing. I am not sure the figures necessarily show that.

Mr Read: That is true, but I guess part of the answer still is that the levy can be done that way. It would be one way that the board could use

the existing legislation to prevent lower-cost housing being socked with unfair or unreasonable levies.

Mr Mackenzie: Finally, then, on the same question, do you have any doubt at all in your minds that the lot levies, if put in place, will in fact be paid by the purchaser of the home?

Mr Read: One can make all kinds of arguments pro and con on that. I would think there is some evidence to suggest that it will be a market-driven force as in everything else, that ultimately certainly some of the cost of the levy will be paid by whoever buys the home. Again it is a market-driven feature, if all the homes in a particular region are paying lot levies.

Mr Ferraro: Thank you for your presentation. I am sorry I was a little late, but I did catch up with the reading. Some of the comments you made were very helpful. I found many of them were, particularly the one about it not being fair, quite frankly, as to whether or not school boards should have to pay development charges while municipalities are exempt. This is an issue we have and we will be discussing further, so it was very helpful. It goes a little further as to whether or not there should be an exemption for churches and so forth. I thank you for that.

My question, though, Madam President, or whoever wishes to answer it, is in reading your brief I have not seen, and obviously it was intentional, whether the Ontario Public School Boards' Association has taken a position vis-à-vis Bill 20. Are you supportive, against or, as you indicated in March, weakly supportive of it? I am mindful of the fact that you have some concerns about it.

Mrs Lafarga: I believe we do go through that and we are in fact in support of it. We do not agree with the philosophy that this should be put back into the local municipalities. We believe in the philosophy that the provincial government should pay for the cost of school facilities, because education is a provincial mandate, but we acknowledge that we are in a crisis situation with capital in Ontario and therefore we must look at relief.

It is not only relief for our fast-growing boards. That will come through the lot levy, but then the money that will be freed up from the new pupil places will go to all boards in the province who have the need for renovation and redevelopment. We understand the need in the short term, but we are saying that we are very nervous about the shift in philosophy away from a general payment for education through the province.

1030

Mr Ferraro: I am mindful of the responsibilities of the province, and not too many people are talking about it because of that responsibility. But the reality as I understand it according to the Education Act, and I am speaking merely for the sake of argument, is that the local boards are responsible, according to the act, for capital funds.

I find it interesting in light of the fact that previous governments and my own government have increased the allocation for capital grants while they are not legally, if you will, but I understand morally responsible. I find it interesting that all school boards and all trustees indicate that the philosophy or the responsibility is shifting.

Mrs Lafarga: I believe—and I think we would need a lot longer to

debate this—but I believe we are partners in education in Ontario. The method of funding has certainly been a joint venture of the province and local school boards. I might say that many school boards are now the majority shareholders in it because of the downloading, but nevertheless traditionally the bulk of the funding for most school boards has come from the province.

At a time when you are increasingly seeing programs mandated from the provincial level that create the demand for additional space in the schools, I do not know that you can say that then the school boards have to pick up the costs for those programs being mandated.

<u>Mr Ferraro</u>: You are absolutely right that we could debate it for hours. I always find it interesting that we are partners except when—to shift the emphasis for a minute—the municipalities all of a sudden say, "We are not partners when it comes to giving school boards a piece of our pie." It is selective partnership.

The Chairman: I think we are not going to resolve this particular issue. Mr Reycraft has, hopefully, a very quick question and a quick answer.

Mr Reycraft: I do, Mr Chairman. It is about the second recommendation, which is that the bill be sunsetted, that the regulations for lot levies be sunsetted for five years. Do you have any concern that if that happened and there was no action by the Legislature, we would then end up with the situation on school lot levies that we now have with municipal lot levies in general, where there is no specific legislation to regulate the lot levies? That has not eliminated them, obviously. Lot levies exist and they existed under perhaps questionable legislation. Do you have any concern along those lines, that we would end up in that kind of situation with lot levies for schools?

Mrs Lafarga: If you do not review it in five years? We are asking for the imposition that it be reviewed in five years.

Mr Read: We are simply currently saying here that it would be reviewed in five years. We are asking under the assumption that there are going to be a lot of changes in taxing systems and taxing structures both at the provincial level and presumably at the federal level. We are saying, please take another look at how things are unfolding in five years. We have faith that there will be a responsible government in place still here at Queen's Park five years from now that will do its best to look after the education needs of the students of the province in a fair and equitable manner.

Mr Pelissero: We will be here.

<u>The Chairman</u>: I appreciate your input. Obviously the committee members listened very carefully.

Next we have the city of Toronto. The witnesses were all here waiting patiently at a quarter to 10 when I came in: Councillor Nadine Nowlan, George Clarke, the commissioner of finance and city treasurer and Dennis Perlin, city solicitor. Their brief is in front of you, members of the committee. Welcome. Perhaps you can lead us through it.

CITY OF TORONTO

Councillor Nowlan: Thank you. Good morning, Mr Chairman and members. As the chairman has indicated, my name is Nadine Nowlan and I am the city councillor for ward 13 in the city of Toronto and the chair of the land use

committee. Today I am here representing Mayor Arthur Eggleton, who is unable to attend at this committee meeting this morning.

I would like to introduce you to the other members of the city's panel. This is George Clarke, our commissioner of finance and the city treasurer, and this is Dennis Perlin, our solicitor.

You have already received copies of the city's brief, summary of recommendations and executive summary.

At the front of the brief is a letter to your committee from the secretary of the city's executive committee. As set out in that letter, city council at its 18 August 1989 meeting referred to communication from the Association of Municipalities of Ontario and a joint report from the commissioner of finance and the city solicitor on Bill 20 to the executive committee for further consideration. Because of the scheduling of this presentation, the executive committee at its meeting held 21 August 1989 gave prior approval to certain recommendations with respect to Bill 20. The executive committee actions will go before city council on 7 September 1989 and your committee will be advised of council's actions.

I would now like to provide an overview of the city's position on Bill 20 and highlight certain policy concerns. Mr Clarke and Mr Perlin will highlight the city's main financial policy and legal concerns, as time permits.

The city's position can be summarized as follows: The city supports the concept of development charges as provided for under Bill 20, subject to the further amendments as set out in the city's brief and summary of recommendations. The city opposes the implementation of any form of educational development charges, including those charges as authorized by Bill 20.

The city's recommendations are in addition to those of AMO as set out in the summary of recommendations. The rationale behind these recommendations is set out in section E at page 16 of the joint report of the commissioner of finance and city solicitor. This joint report forms part of the city's brief and section E is marked with a little white tab.

There are three policy issues I would like to highlight.

The first one is the city's opposition to the educational development charges. The city supports AMO's position that the municipal revenue base is an inappropriate funding base for the provincial education system. It is the city's position that part III of Bill 20 is premature. As noted in AMO's report, educational development charges were never the subject of consideration of the AMO and development industry working group that preceded the preparation of Bill 20.

If part III of the bill, which authorizes educational development charges, is not deleted, the bill and regulations should be amended as follows: Bill 20 and any other necessary act should be amended to provide for a limit on the educational development charge or the educational mill rate to offset the charge's impact on municipal funds. In the case of the city of Toronto, educational development charges will be levied at the upper tier or Metro level.

What assurance does the local municipality have that funds raised through education charges levied by the upper tier will flow back to the local

municipality in the same proportion for educational services? The city currently subsidizes other Metro area municipalities for education purposes through the Metro levy.

Safeguards should be put in place so that the educational development charge is not used to increase the city of Toronto's subsidization of Metro area school boards. Bill 20 should be amended to provide that the educational development charges levied by the upper tier municipalities be credited to the local municipal school board in which the parcel of land is located.

A second related policy issue is the economic effect of a multiplicity of charges. There is a general concern regarding the economic impact of the municipal and education charges from a planning point of view. There is a limit as to what charges, extractions, levies or assessments under Bill 20 and other legislation can be levied or required before the charges, etc, will have a negative impact on growth.

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The bill provides for a multiplicity of charges but does not provide for any limitations in terms of maximum charges or any proportional share among, in the city's case, Metro, the city and the three school boards. No studies have been provided regarding this matter to the best of our knowledge.

At the simplest level, what happens when a school board that is at the upper tier chooses to have an education charge and the area municipality does not? In terms of future development, will the educational charge have already raised development costs to the critical level where any additional charges will have a negative effect on growth?

In our opinion, studies should be done to determine what the potential economic impact would be of a multiplicity of development charges on the same parcel of land. At what point will such charges be a disincentive to growth? Following such studies, the legislation should be amended to provide for either limitations in the form of maximum charges or a proportional share of the charges.

The third policy issue is with respect to the legislation's impact on assisted or social housing, by which I mean subsidized housing, and this is very important to the city of Toronto. It is the city's position that the proposed act and regulations should be amended to facilitate the development of assisted or social housing and that this goal can be implemented by making the following amendments:

That the bill or regulations be amended to authorize a municipality in a development charge bylaw to provide for exemptions for assisted or social housing, and this is contained in city recommendation 5(f);

That for the avoidance of doubt, assisted housing or social housing, in the context of at least the city of Toronto, should be listed in the bill or regulations as a growth-related municipal service that can form part of the development charge, and this is in city recommendation 19(a);

That the effect of the development charges on assisted or social housing should be monitored to ensure that the charges do not become a replacement for exclusionary zoning, and this is in city recommendation 19(b).

I would now like to turn you over to the commissioner of finance, George Clarke, who will provide some further comments.

<u>Mr Clarke</u>: I am here today to support in any way possible the city's position as stated by Councillor Nowlan and to underline the city's concerns with respect to certain of the clauses contained in Bill 20, namely, those having a financial or economic impact.

Initially, I am concerned with the definition section of the bill, section 1, which narrowly defines "capital costs" that may be included as a component of a development charge so as to exclude rolling stock, furniture and equipment.

It may be that the drafters of the bill were concerned that municipalities might not have the technical facilities to identify and track the costs of those specific components of capital to their final capital accounts, thus opening up the possibility that operating costs arising from operating the equipment might be inadvertently included as a capital cost of the development and/or, we hope, the redevelopment.

I have come to understand since that there could be other, more cogent reasons for those narrow definitions, but none the less the city's concern for the narrow definition still stands.

I can assure committee members that Ontario municipalities have the necessary expertise to properly account for capital expenditures and I urge that section 1 of the bill be changed to include the following definition of "capital costs," similar to that used by the Management Board of Cabinet and the Ministry of Municipal Affairs,

"'Capital costs' means costs incurred or proposed to be incurred by a municipality,

- "(a) to acquire or improve land, buildings, fixtures, engineering structures, machinery and equipment; and

"required for the provision of services, including interest on borrowing for that part of expenditures made under clause (a) that is growth related, but does not include costs incurred or proposed to be incurred to acquire supplies, inventory or similar items."

This is in order that the development charges will return to the municipalities the full costs of the development or redevelopments.

My second concern is that the definition of "front-end payment" in section 1 would require the municipality to estimate the amount of capital grants to be received, which might reduce the municipality's outlay on the capital project.

We all know that there are changes in grant entitlements over which municipalities have no control. The loss or diminution of an anticipated grant could seriously threaten the viability of a project. Consequently, the city supports the Association of Municipalities of Ontario's recommendation on this definition, which is as follows: "That the definition of 'net capital cost' be amended by adding the words 'including an allowance for contingencies' after

the words 'capital cost' in the first line of the definition. The definition would then read as follows: 'Net capital cost means the capital cost, including an allowance for contingencies.'"

I also wish to express the city's support for AMO's proposed recommendation 10 regarding subsections 12(1) and 12(2), that unpaid charges shall be deemed to be taxes in order that they may be collected as taxes and have the same security of collection as taxes, and for AMO's recommendation 16 re subsection 20(2), that front—end payments may be secured by irrevocable letters of credit.

I note that AMO has deleted its draft recommendation regarding collection from its submission on the premise that payment should be made at the time of issuing the building permit, and therefore that there would be no outstanding collections, but I note that the proposed legislation does allow for payment arrangements and the city therefore would recommend that unpaid charges be deemed to be taxes.

As you know from the city's written brief, the city of Toronto supports AMO's recommendations, with the exception of recommendations 14(a) and 23. In addition, the city has made recommendations of its own, and one of the more important ones from a financial management viewpoint is recommendation 10 dealing with subsection 10(2) of the bill, in which we support the principle that the development charge be collected by the municipal level of government that issues the building permit.

Just in passing, and remembering what the Ontario Public School Trustees' Association mentioned in the previous submission, I could agree with the OPSTA's position that registering a lien on the property for uncollected charges may not be necessary, because if charges could be collected as taxes, it would appear that a lien registration might not be necessary.

 $\underline{\text{Councillor Nowlan}}\colon \mathsf{Thank\ you,\ Mr\ Clarke}.\ \mathsf{Mr\ Perlin,\ would\ you}$ outline the city's legal concerns.

Mr Perlin: I will just take a couple of minutes, because time is running by. First, I am not going to follow the text that has been given to you exactly. There is a submission coming to you from the region of York with respect to legal submissions. I will not say we are endorsing the philosophy behind those legal submissions per se, but I will say to you that the drafting of the bill needs some significant work if it is going to work at the municipal level. I suggest to you that the changes that are being set out, for example in the region of York submission, are excellent changes in terms of drafting and I would ask the committee to seriously consider those, along with the recommendations we are bringing forward in this brief.

We are not here to undermine the bill, but to suggest to you that there are drafting changes that are necessary if the bill is to work in the future, as lot levies in my opinion have worked very well in the past without any definite legislation. The growth in this particular area already shows that lot levies can be imposed, and that there would be significant growth all around this particular area and indeed all over the province.

In terms of our particular recommendations, there are two groups that are technical or legal in nature. One is to achieve maximum flexibility in options with respect to the service charges. As far as we are concerned, there is a need for a change, as per our recommendations 5(d), 5(f), 11, 14 and 15, to provisions of the bill that will allow for choices with respect to the use

of one or more development charges and/or the use of other statutory levies, such as the special sewer charge now in effect, for example in the city of Toronto under the City of Toronto Act, 1961.

The way it is now, if one very carefully reads section 42 of the proposed bill and the way you put that together, it is arguable that you can have one development charge bylaw, so I suggest some technical changes are necessary. For example, if a municipality wants to keep its present sewer impost charge which was working fine in the city of Toronto as far as sewers are concerned, it could still move the development charge related to some other services.

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In terms of recommendation 5(d), in addition, right now it is not clear, and you have heard this before and you will hear it again, that development levies can be imposed on defined parts of the municipality and not all of the municipality. If one goes carefully through the bill, again it will be a point of argument later, I can assure you, if the bill is not changed, as to whether or not it has to apply to all of the municipality if one says the land or indeed just the land that is being developed. Average costing has worked quite well in my opinion.

In terms of recommendation 5(f) regarding municipalities being able to define "class or classes of uses of land," now it allows us to attach levies to uses, but it does not talk in terms of being able to define "class or classes of uses" so that use of land is residential. Can one then break that down along the lines of what Councillor Nowlan was talking about in terms of not applying it to social housing? Again, if you read it now, it is arguable that the use is residential, that it does not allow for breaking down of class of uses.

Recommendations 11, 14 and 15 contain several amendments to clarify the relationship between a development charge bylaw for a particular municipal service and the levies, assessments and charges that are permitted under other legislation or are made by regional Metro municipalities.

The second group of recommendations that we have put forward in a technical, legal way reflect the present nature of development in the city of Toronto. Development in the city of Toronto is by way of redevelopment. This redevelopment may take place in areas of historic, outdated services and may involve large-scale population increases. Indeed, our experience has been that they have been at higher densities than historically.

The legislation should facilitate and not prevent, as it does now, the introduction of hard services such as district heating and cooling into redevelopment areas, which is set out as being the preferred method of heating and cooling under the approved official plan of the redevelopment of the railway lands in downtown Toronto. Further new development should be subject to charges that reflect the standard that is higher than the outdated historic services that are provided in parts of an older municipality.

Finally, standards should be able to reflect rapid, large-scale increases in population. Again, I refer you to recommendations 1, 2, 9, 15, 17 and 18 that implement that.

In terms of a definition of "development," we are suggesting that redevelopment can be covered off if you put in a definition of "development"

that is similar to the definition of "development" in section 40 of the Planning Act. We have talked about recommendations 2 and 9, including district heating and cooling and others as prescribed in the regulation, not just sewers, water and roads.

In terms of the regulations, we are suggesting certain changes to broaden the regulations to permit new technology such as district heating and cooling.

Recommendation 18 is that the municipal charge regulation be amended to allow for higher standards and increased growth.

A further recommendation to those noted in group 2 reflects the nature of residential development or redevelopment in the city. We were asked by the minister to comment at this committee on the regulation. In that regulation, one gets into definitions of "semidetached" and so forth types of dwellings, but it does not provide a definition of "dwelling unit" and "residential building" to specifically provide for how the exemptions in the act and the regulations are to be applied to such residential uses as rooming houses, student residences, converted dwelling houses, rooming houses and mixed—use buildings that could be classified as predominantly residential.

Just a couple of small matters to close off: Recommendation 8 regarding a change in clause 8(1)(a) of the bill, which is necessary to ensure that development charges can be calculated in the number of ways that municipalities presently calculate them, per lot, per gross acre, per net developable acre, per foot frontage: That is not permitted under the present bill. It talks in terms of calculating on the basis of number of units and it even would lead to a suggestion, and I think I saw a discussion in this committee earlier, about whether one can impose development charges in the front part of the bill, the municipal part of the bill, on commercial and industrial. It is questionable, if that does not change in clause 8(1)(a), whether in fact you can do commercial—industrial when it is particularly mentioned in part III of the bill related to education.

Another small point: There is a public meeting process provided when a bylaw comes forward for presentation. It does not provide, as the Planning Act does, for a change in the bill when it comes from the committee at the municipal level to the council. That change is now provided, for example, in zoning bylaws after a public meeting. I would suggest that be put in here because submissions may very well have been presented at the committee that could have changed. So you could take that provision from the Planning Act.

Councillor Nowlan: That completes our formal presentation and we would be very happy to answer any questions that you have.

The Chairman: Thank you very much. You have given us a lot of good, practical criticisms.

Mr McCague: On page 4 of your brief, you mention that there is a limit as to what can be levied against a lot or property before it will have a negative impact on growth. A previous presenter made the statement that schools have a higher social priority than arenas. Can you not see a little bit of problem here if school boards are allowed to get into the development charge business, that we will very soon have an argument as to what has the best priority and that some of the programs that are traditionally under the municipal sphere may suffer?

Councillor Nowlan: Yes. We completely agree and we are fearful of the confrontation that this bill seems to set up between boards of education and municipalities. Our preference would be that the development levy powers not be given to the boards of education, but if it is the will of the government to do so, we really think that section of the bill needs further work in order that there not be this confrontation where we are arguing, "What is more in the public interest, social housing or education?" Those are not helpful arguments to have going on in the public arena.

Mr Ferraro: I understand a municipality's position when it says it is an inappropriate funding base to have municipal revenue go for educational uses. My question is, why it is any more inappropriate to have development charges for an arena and not to allow development charges for the building of schools?

<u>Councillor Nowlan</u>: I guess we are trying to make several points. One is that development levies have never been a tool that boards of education have had. They have been financed in some cases indirectly by the municipality. The second point we are trying to make is that it does set up a competition and a confrontation at the municipal level about who is going to put what levy on what. We have always maintained good working relationships with our boards of education and we want that to continue.

Mr Ferraro: Just to carry on, and I appreciate your response, does that competition not already exist from the standpoint that the taxpayer is going to pay, whether it is a development charge, income tax or any form of sales tax? Is that competition not already there in that what we are really saying is that municipalities have traditionally had sole access to development charges and, being a former councillor myself, "Keep your greedy fingers out of our pie"?

 $\underline{\text{Councillor Nowlan}} \colon \text{Development charges are not something that the city of Toronto has used very much. We have a sewer impost charge, but in general it is not a tool that we have largely used.}$

Mr Ferraro: Many municipalities have.

Councillor Nowlan: Many have and we would like to start using it. We would like to have that as a planning tool and we applaud the government for bringing forward this legislation. If you had not, we probably would have been up here in a year asking for special legislation anyway, because we are looking at it in the context of our Cityplan '91 and so on.

I have got myself off the train of thought.

Mr Ferraro: You were going to have Mr Clarke comment.

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Mr Clarke: One point could be made as to whether or not the competition at the local level—if one harks back to the real reason for education and the real benefits for education—

The Chairman: Could you hold your mike up?

Mr Clarke: The real reason for education and the real benefits for education flow at the provincial—national level much more than they do at the local level. Certainly, arenas benefit the local people. Education benefits

the whole country. If you follow that philosophical bent, really education should be funded certainly at the federal level much more than it is at the present time. We are simply making that point and underlining it, that our education in Ontario certainly benefits citizens in Vancouver, the Northwest Territories and everywhere else. I think that is the philosophical reason for it.

Mr Ferraro: I will not debate that further.

My last question is to the solicitor for the city of Toronto. Granted there are a lot of technical change that have been made to this bill. Mr Perlin, I think you would be the first to agree that no matter what the hell you came up with in the final form of the bill, it could be contested and probably will be contested.

With the premise that I think most people accept the fact that many developers have not contested many of the things municipalities have done for the simple reason that they have to do business and want to continue to do business with a particular municipality, and I suspect that is true to some degree, do you think, with the implementation of Bill 20 in its final form, that the number of legal actions will be greater than in the past as a result of the further delineation, if you will, and to some degree clarification of the legal process for charging?

Mr Perlin: I am convinced we are going to be fighting a lot more of these battles than we ever have fought before at the Ontario Municipal Board. Frankly—you give me the chance—I am going to say that we were better off without legislation than with legislation. I do not buy for a moment that developers did not contest only because they wanted to do business. They contested when they really felt an injustice was significant enough that they had to go off to the board, and they have contested them in those situations.

They pay the levies when they have believed they could afford to cover them off in terms of the future development. In front—ending, there was significant front—ending where I was in Halton previously and they covered it off. If they wanted to fight it, they could have fought it. They did not, and I say to you, because they knew they could cover it off in the cost.

I can tell you from talking to a lot of home owners that their support for that particular levy was that they did not mind paying the upfront in terms of their mortgage payments and their monthlies, but what they sure did not like was the increased monthlies that came from significant mill rate increases in their taxes. They could manage their mortgage. They knew where they stood when they started and that is in the cost of the home unit, but they sure did not want those high increases in monthlies arising out of taxes, which are the alternative if you do not have significant levies.

I say yes, there will be a significant increase in contesting this, because it sets a framework which I think reduces the flexibility of municipalities in terms of what they have been able to do in terms of levies. I say for the most part they have done it very fairly.

Mr Ferraro: That is interesting, because what you are saying is that vagueness in some cases is better than a further delineation or clarification of the law.

The Chairman: We are into philosophy again, and we have a clock.

Mr Perlin: Absolutely. In terms of negotiating levies, I can tell
you--

The Chairman: Mr Morin-Strom has a quick one, then Mr Reycraft.

Mr Morin-Strom: First, a point of clarification: You say, Ms Nowlan, in your last point, "The effect of development charges on assisted or social housing should be monitored to ensure that the charges do not become a replacement for exclusionary zoning." I do not understand what you are referring to there.

Councillor Nowlan: Could I ask Mr Perlin to expand on it?

Mr Perlin: The concern is that in terms of the rationalizing of the levies and the education levies, if the levy becomes significantly high, it can become an argument that the type of housing that has to be accommodated in the municipality in order to support the type of development charge—the developer goes at it instead of contesting the development charge per se: "What I need is to be able to sell 3,000-square-foot, 4,000-square-foot or 5,000-square-foot houses. I can't get into town houses or other affordable housing or into rental housing, because of the greater development charge which will now come if there's both an education levy and a lot levy."

The exclusionary zoning in terms of keeping residential to single family so as not to allow rental housing and so forth is fundamentally replaced by a levy that is so high that in essence all that can be supported is—

Mr Morin-Strom: You want to keep the right to exclusionary zoning.

 $\underline{\text{Mr Perlin}}\colon No, \ I \ do \ not \ want \ to \ keep \ the \ right \ to \ exclusionary zoning.$

Mr Morin-Strom: That is what it sounds like.

<u>Mr Perlin</u>: We do not have it in the city of Toronto. We just want to make sure that the levy does not come in and, with exclusionary zoning being prohibited under the amendment you passed in the Planning Act, very clearly, just make sure it does not get replaced by the levy. We are just suggesting to you to monitor it very carefully.

Mr Morin—Strom: We got a list of the 100 most populous municipalities in Ontario and the levels of their lot levies in the province. This is one case where you share the bottom rung, with no lot levies currently, with an area that, if you look at the kind of communities which are at the bottom rung in the province now, is typically rural, particularly northern Ontario communities, presumably because there is not a lot of development going on there.

In Toronto's case, we have heard the contention that Toronto does not need lot levies because it has other ways of extracting funds out of developers in terms of zoning restrictions and negotiated deals with developers. Do you see that this bill will at all affect your right to be able to extract those funds for major capital projects from developers in the city of Toronto?

<u>Councillor Nowlan</u>: The way I view it is that it provides another planning and economic tool for the city of Toronto. We have tools such as section 36 in the Planning Act, but as you know, the let's-make-a-deal

negotiated agreement with developers has been under criticism and under analysis. The development levy provides us with a more objective and equitable way of obtaining revenues in order to plow into it for public benefits. That is how I see it. I would be interested in having Mr Perlin and Mr Clarke comment as well, if they want to.

Mr Clarke: I do not.

Mr Morin-Strom: I guess I would like to know whether, legally, this is going to prevent you from continuing the let's-make-a-deal format.

Mr Perlin: No. It does not take away from section 36 per se, but it will in this way. There is one recommendation we do make in our brief and we hope those working with you will accommodate it. It is recommendation 15 which is necessary to be added to section 43 or section 45 of the bill as it presently is set out, which is a special City of Toronto Act, 1971 that allows for agreements with respect to the development of the railway lands. We have agreements and probably future agreements necessary on the railway lands with respect to the development of those lands, which could be undermined.

Also, in that same vein, the need to redefine the definition of services to not limit it to sewer, water and roads, but also to include district heating and cooling, which is unique, if you like, in the province in terms of the city of Toronto, but is indeed a service that should be able to be funded by way of development charge.

Mr Reycraft: I was looking at the same list to which Mr Morin-Strom has referred. Lot levies in the province now range from I think around \$14,000 in Vaughan to nothing. When you look at the municipalities at the top of the list, generally they appear to be those that have experienced high growth and those which have high property values. The city of Toronto does not fit either of those two criteria. Why have you not gone to lot levies in the city of Toronto?

1110

Councillor Nowlan: In general, we are not proceeding by subdivision; our subdivisions have all been developed. What we are into now is redevelopment on an area-by-area basis. I believe we did not believe we had the right to use the lot levy technique, so we did not use it. I know the use of development levies certainly has been under discussion in the planning department and in the city plan task force. We had a city plan forum at city hall recently in which representatives from cities like Boston and San Francisco came and told us about using this kind of tool in their municipalities. It sparked a lot of interest and people started asking the question, "Why not the city of Toronto, as an alternative to section 36 or as an additional tool for financing social housing and other infrastructure needs that come out of redevelopment?"

In a sense, we are at a different stage than some other municipalities that are still in the initial stage of development. We are now into the stage of redevelopment, and it has its own infrastructure costs and pressures. We need a way of adequately financing those into the next century.

The Chairman: I am going to have to cut that off. I appreciate your comments very much. We did let it go over a little, because we did have a lot of questions. I appreciate the detail in which you went into your criticisms.

The Chairman: We next have a city that is at a very different stage in its development, the city of Mississauga. I understand Mayor McCallion is here, as well as city manager Doug Lychak. The brief is being distributed at the moment. Perhaps you could have a seat. Mayor McCallion, perhaps you could introduce everyone to us.

CITY OF MISSISSAUGA

 $\underline{\text{Mayor McCallion}} : \text{Thank you for the opportunity of appearing today}.$ This is of great interest to the fastest-growing city in Canada, and as such our staff has worked also with the ministry staff on the green paper that came out, because of our grave concern.}

First of all, we are not interested in lot levy legislation. I would like to say that. But since it has come, we are now prepared to offer to you the concerns we have, because we have been most successful in lot levies for years, not only for the city but the hydro. We tried to encourage the school boards to go for it years ago, which they decided not to do, but we have done it, we have done it extremely well, justified and well recorded, no tampering with funds from one account to the other. As such, the developers have never challenged it.

I would like to introduce Doug Lychak, our city manager, and Fred Koenig, our finance person, who has prepared a brief for you from our review of the legislation and the changes we would like to see made if the legislation is to proceed.

 $\underline{\text{Mr Lychak}}\colon \text{Council}$ has asked that this morning I present to you council's views and opinions with regard to Bill 20. We thank you for this opportunity.

So I can keep on time and keep my remarks directed and focused, we have prepared a brief which we have distributed to you, and my remarks will follow that brief as closely as I can without straying; that should keep us within the 15--minute time line.

 $\underline{\mbox{The Chairman}}\colon\mbox{We can give you the full half-hour, but perhaps you will entertain some questions.}$

Mr Lychak: Our overview is not one of great technical detail and legal assessment or analysis, but more an overview of the history of development charges or levies in the city of Mississauga, our over 15 years of experience with levies, how we have utilized them, how we think the legislation will impact us and effect us, and some recommended changes with regard to the legislation which we think will make it stronger and better legislation with regard to the city of Mississauga and indeed all municipalities within Ontario.

Municipal development charges, or lot levies, as they are often known, have been the subject of considerable discussion between the province, municipalities and the development industry for a number of years now. Through the efforts of the interministerial committee on financing growth—related capital needs, this discussion has now been focused with the introduction of Bill 20. I would like to present some comments on the issues of development levies in general and some specific suggestions that we feel would improve the legislation on which you are deliberating.

The city of Mississauga has had development levies in effect since its creation as a city in 1974. As I said, that is over 15 years of experience. Over that time, the city has been very successful with its lot levy policy and practices, generating needed funding to finance the necessary municipal infrastructure for a rapidly growing city. The city has taken a great deal of care to develop and preserve its development levy practices. The studies which support the levies are very detailed and clearly lay out the basis for our charges. Financial records are maintained to demonstrate the proper handling of the funds, as the mayor has said, and we can clearly show that the funds have been properly utilized for the construction of needed growth—related capital works in our community.

Our present levies are \$6,064 per detached dwelling unit, with lesser amounts for multiple dwellings. Commercial—industrial levies amount to \$40,210 per hectare or \$16,273 per acre. We are in receipt of about \$20 million annually of development levies. That is an average figure.

Mississauga is a rapidly growing community, as you all know. Since its creation in 1974, we have grown from about 220,000 to 420,000, almost a doubling, a 90 per cent increase. This represents an average increase of about 14,000 persons per year. In the past two years, almost 20,000 persons per year have joined our community. Over the next 10 years, it is anticipated that the city will grow by about another 30 per cent, yielding a population in excess of 550,000 by 1998. Employment growth is projected to take place at an even faster rate with a growth rate of 63 per cent projected over the same 10-year period.

These rates of growth make Mississauga one of the fastest-growing municipalities in the province. I err there, of course; the mayor corrected me by earlier by saying "the" fastest. They also place heavy demands upon the city to provide the municipal services and facilities that are needed to support this growth.

The city prepares a detailed 10-year capital budget and forecast on an annual basis. This plan details our capital spending and financing requirements right down to the individual project level even in year 10 and we feel serves as an excellent basis for planning the future development of our community. As well, for the past eight years, Mississauga has been operating on a pay-as-you-go policy. Pay-as-you-go means that the necessary capital financing for our projects is provided from either provincial subsidies, development levies or taxes, without the incurrence of debt. Mississauga's taxpayers get real value for their tax dollars rather than high interest-rate payments.

We have been able to achieve this position through careful financial planning of our capital needs, the application of revenue from our development levy policies and through the use of tax—supported capital reserve funds that enable us to gradually set aside funds for our planned capital spending.

A good example would be our \$60-million municipal centre, civic centre. The planning for that started in excess of 10 years before the project was put in the ground. By the way, all of the funding for that was achieved without debt through long-range financial planning, funds set aside from our capital reserve funds, funds achieved through selling of surplus lands, the sale of the previous city hall site, the sale of facilities to the Ontario Water Resources Commission. No levy funds were spent on it, contrary to popular belief and rumour. There are no levy funds which had been allocated to the construction of that facility. Notwithstanding the fact that our policy would

have permitted it and notwithstanding the fact that your proposed legislation would have permitted it, no levy funds were utilized.

Over the next 10 years, the city's approved capital budget and forecast envisions nearly \$680 million in gross capital spending. Subsidies and other miscellaneous income will pay for about 30 per cent of our capital program and taxes will contribute almost 40 per cent. The remaining 30 per cent, or about \$225 million, will come from development levies and cash payments in lieu of park land dedication. You can see that lot levies are an extremely important revenue to provide for new development in our community.

Our latest 10-year forecast places very high priority on improving the city's transportation system. That transportation facilities are a key factor in the continued economic progress of the greater Toronto area is also recognized by the province of Ontario in its recent budget. It is of vital importance now that Bill 20 allow municipalities to continue to collect for all growth-related capital facilities, especially for high-priority services such as transportation.

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We feel that the combination of the high rates of community growth which we have experienced and project to continue into the future, our detailed multi—year capital planning and our very successful experience with development levies enables the city to comment with credibility upon the Development Charges Act in its current form and its impact upon Mississauga and other Ontario municipalities.

When we first reviewed the green paper on financing growth—related capital needs, we felt that the proposals contained in the paper could have a dramatic effect on the ability of municipalities such as Mississauga to continue to finance growth without placing undue burdens on existing taxpayers. The city therefore submitted a resolution to the province expressing our concerns about the green paper proposals, and subsequently met with provincial staff to discuss those concerns. We would like to take this opportunity to thank provincial staff for their time in discussing and explaining the green paper to us and explaining Bill 20 as it has been developed over time.

The official position of the city of Mississauga as expressed in its resolution on the green paper is that there is still no need for legislation governing municipal lot levy practices in Ontario. Our basic position has not changed. We feel our experience and the experience of many other municipalities in Ontario is that the present system is generally working well. Levies are by and large acceptable to the development industry in our community and are achieving their desired objective of providing the necessary funding for essential growth-related capital improvements. The present system also offers recourse to either the city or the development industry if a dispute should arise regarding levies. However, the province has chosen to proceed with Bill 20.

The city has adopted a neutral position on the issue of levies for school board purposes, as we feel that is a matter best dealt with by the affected school boards and their elected representatives. However, we urge that any issues on the charges for education purposes not affect your recommendations regarding the portions of the legislation governing municipal development charges. Each should be judged on its own merit.

Generally, we feel that a number of improvements, changes and clarifications to the green paper proposals have been made and are reflected in the bill and the draft regulations that are now out.

The decision to delete the proposed levy limits upon affordable housing and the originally recommended notice requirements to new owners has resulted in a bill that is much more acceptable to us.

We are also pleased to see that the calculation of development charges can be based on growth-related net capital costs for a period of up to 10 years for most services, and for periods exceeding 10 years for services such as roads and storm sewers. This is consistent with our present practices and will provide greater equity between developers by allowing us to set our charges on a long-term average basis rather than on a short-term basis that can involve lumpy capital investments.

As I am sure you are all aware, depending on the state of a municipality and what infrastructure is required, the shorter term can yield you very high costs, and once those facilities are in place, the longer term could yield you lower costs. So with that longer term perspective, it has made it fair for all developers, and we think that is essential.

The draft regulations also provide sufficient flexibility in defining service levels to accommodate changes in service design, delivery or operation. Such changes are often required as municipalities grow larger.

In Mississauga, for example, we are moving towards a grid—type transit service integrated with express bus services in high demand corridors. These operational changes are necessary to provide the same level of on—street service to the larger community as the present system provides to the existing community. We are also planning to build a major east—west busway through our city and to provide gateway stations to integrate with other transit from other municipalities and other transportation systems.

We applaud the draft regulations' recognition of the fact that, as our city grows and as technologies change, creative, dynamic and cost-effective solutions to providing municipal services are required, and that flexibility is appreciated.

We also understand that some amendments to the bill are being considered that will respond to municipal concerns which have been expressed to ministry staff with regard to the transitional provisions of the bill, specifically section 43.

Despite these improvements and clarifications, some fundamental concerns still remain.

Firstly, the act proposes a restrictive definition of allowable capital costs—and this is a major concern to us—which will exclude vehicles, furniture, office equipment, supplies, inventory and other similar items. We further understand that the draft regulations will disallow levies for hospital purposes at the regional level.

The city of Mississauga opposes these definitions. We feel that it is of critical importance that municipalities be allowed to levy for the costs of all growth—related capital needs. The need for additional transit buses, fire vehicles, library books and furnishings and equipment for new facilities is every bit as important as the need for the buildings in which the equipment

will be housed and the land upon which the buildings will be built. If growth—related, all needs should be leviable.

Let me speak of some specifics. As I mentioned in my introductory comments, transportation is the number one capital spending priority for the city of Mississauga today. We are experiencing increasing traffic congestion generated from growth within our community and from growth in neighbouring municipalities.

To respond to this situation, the city has approved a significant capital improvement program in major roadway construction to provide extra needed capacity in the road network and, as I mentioned previously, in further developing our transit system to provide a viable alternative to automobile travel for our citizens. Over the next 10 years, our approved capital plan provides for the purchase of 166 additional buses at a total cost in excess of \$60 million gross. Without this major expansion of our transit fleet, congestion on our streets would increase dramatically. These buses are as important in solving the transportation needs of our community as the roadway network. Bill 20 would result in the exclusion of bus purchases as a factor in the calculation of our development charges.

For our library system, the city plans to spend over \$3 million in the next 10 years to purchase books to meet the demands of the growing community. Planned purchases of fire vehicles to be located in the six new firehalls will cost about \$2 million. None of these important capital items would be leviable under the proposed legislation.

We feel that the distinction that is being drawn between different capital assets required by growth is not a logical one. Fire stations without trucks, transit garages without buses or libraries without books do not meet the needs of a growing community. We feel most strongly that this restrictive definition must be amended. Municipalities must be allowed to incorporate the full range of municipal infrastructure, facilities and equipment that are affected by growth in calculating development charges.

We are also concerned about the appeal process that is incorporated within the legislation. Bill 20 provides that development charges will come into effect upon passage of a municipal development charges bylaw in accordance with the act. Anyone objecting to the bylaw will have 20 days during which to initiate an appeal. During the period that the appeals are being heard by the Ontario Municipal Board, levies would continue to be paid based upon the new rates incorporated in the bylaw. If the decision of the board reduces the levies allowed, the city would be required to refund any differences with interest to all those who have paid under the previous calculations.

The effect of this provision would be to render the status of any such levy receipts as uncertain. A prudent municipality would not expend any of these funds until all appeals have been finalized. This would have the effect of restricting capital spending intended to service new development, which may result in a deferral of the development itself. The legislation places municipalities in a position of fiscal uncertainty for an indeterminate length of time. This is both unreasonable in our view and irresponsible. As you well know, the length of time that appeals can stretch out can be in excess of years, through the board process, the appeal process and the court process.

Alternatives that should be considered include allowing existing development levies to remain in effect until all appeals to a bylaw passed

under the act have been exhausted, or making any OMB-ordered reductions effective as of the date of the decision rather than retroactively.

Similarly, although on a less significant scale, the provisions of the act dealing with the complaint procedure, section 8, would appear to extend these uncertainties regarding ownership of levy receipts. As the bill stands now, developers can appeal the particular applicability of the development charges on their property at any time. If the OMB were to find on the applicant's behalf, refunds with interest would be required. We feel that the absence of a time limitation on this right of complaint is a major problem to municipalities, as the potential requirements for refunds can exist for indeterminate periods. A time limitation of say 30 days from the time of the determination of charges should be incorporated in the legislation, we feel.

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Another concern involves uncertainty about the level of grants or subsidies that can be reasonably expected from senior levels of government upon which the calculation of net capital cost is based. Our experience indicates that revisions are often required in our lot levy calculations to reflect changing levels of subsidy support. Even in areas such as the Ministry of Transportation's road construction subsidies, where nominal rates have not been amended, the effective rate of grant has declined significantly due to funding constraints at the provincial level. Over the past several years we have had to reduce our allowance for MTO subsidy from 50 per cent to 20 per cent for growth-related road works.

While we appreciate that binding multi-year subsidy guarantees are not likely to be forthcoming, it might be useful if the legislation or regulations could specifically allow for bylaw amendments to accommodate such circumstances without subjecting the entire bylaw to the appeal process set out in section 4. While subsection 4(10) may provide some relief by allowing for early dismissal by the Ontario Municipal Board if the objection is deemed insufficient, specific reference to subsidy changes in determining sufficiency or otherwise would be most useful to us.

Finally, we would like to make several points regarding specific wording in the legislation.

Section 43, which deals with transitional mechanisms, has the effect of taking away the means we now utilize to implement our levies by removing our ability to enter into financial agreements under section 50 or 52 of the Planning Act, 1983. Immediately upon passage of the legislation, we understand from discussion with provincial staff that they will be proposing changes to the legislation to make that section come into effect at the time of passage of a development charge bylaw. We support such an amendment.

In subsection 3(1), reference is made to development of land requiring services needed "in respect of that land." Our understanding of the intent of the legislation is to allow an average costing approach to be used in setting development charges. Removal of this restrictive wording would be more in keeping with this intent in the legislation.

Throughout the legislation, references are made to "storm sewer services" and "road services." These terms may be too restrictive and could exclude storm drainage works such as channelizations, gabions or storm water detention projects or transportation improvements such as grade separations,

bridges and culverts. More general wording, such as "storm drainage services" and "transportation services," may be more appropriate.

The act also defines a municipality as "a city, town, village, township, improvement district or county or a regional, metropolitan or district municipality." There is no explicit reference in the definition to the local boards of a municipality or to hydroelectric commissions.

Rapid development in Mississauga has prompted Hydro Mississauga to seek the city's help in imposing a development levy to help finance the services required by growth. While inclusion of such entities in the legislation may have been intended, we feel that the present wording of the definition may be vulnerable to the interpretation that levies for these needed capital operations are not allowable under the current definition of municipality. We would therefore request that the wording of the definition be amended to specifically include local boards of municipalities and hydroelectric commissions.

In summary, it is the position of the city of Mississauga that provincial legislation governing lot levies is not required. We can point to the success and acceptability of levy practices in Mississauga as an example of how well the present system can function to the benefit of the city, the development industry and the province.

The province has chosen to proceed with legislation, and we accept that action. In general, Bill 20 and the draft regulations provide a reasonable basis for establishing and administering municipal development charges.

However, there are a number of important aspects of the legislation that require amendment if it is to allow our city and others to continue to set development charges that will fund the full range of growth—related capital expenditures that we face and to provide more certainty about the ownership of development charges during the appeal process. These amendments, as well as the others that we have proposed today, will further strengthen Bill 20 and help us all co-operatively to meet the challenges we face as our cities and province continue to develop and grow.

We trust that you will take these concerns and suggestions into account in your deliberations. We again thank provincial staff for their time and effort in explaining and discussing the green paper and Bill 20 with us and thank you for the opportunity of presenting our views today.

 $\underline{\mbox{The Chairman}}\colon\mbox{Thank}$ you very much for presenting them and giving us some food for thought.

 $\underline{\text{Mr Pelissero}}\colon \mathsf{Thank}$ you, Your Worship and Mr Lychak, for the presentation.

I am interested, on pages 12 and 13, about including local boards and municipalities, and hydroelectric commissions. We heard yesterday from the Municipal Electric Association that they would like to be specifically excluded from the legislation. You are recommending that they be included. We heard their reasons yesterday, why they wanted to be excluded, and I am just wondering if you could expand on your reasons why you feel they should be included.

Mayor McCallion: I do not know what their reasons are for excluding it. I would like to know so I could respond to them, but I can tell you why it

is very important they have it. We have been collecting levies. We collected them in the town of Streetsville back in 1970 for hydro and in 1979, I introduced it to the hydro commission in Mississauga. The amount of capital cost of expanding our system to accommodate growth would have resulted in a major debt load to the municipality, to the region and certainly, to Mississauga Hydro.

As a result, we have been able to deal with the expansion of our hydro system based on the lot levies we have collected. The developers are happy with it because they are getting these services they require. It means the development is not being held up because of the lack of capital funding by Mississauga Hydro.

Mr Pelissero: I think, if I remember the presentation from yesterday, it was a question of having two masters, in terms of a hydroelectric commission, that they were subject to the Power Corporation Act. That was, I think, their point in terms of establishing a rate. We got bogged down a little bit yesterday in terms of the complexity of the matter, and I was just interested in your—

Mr Lychak: I think that additional point, if I may, Mr Chairman, might be that if there is no legislation covering municipal government and indeed, local boards and authorities, then I think we all feel we are on the same ground in terms of imposing levies and having them accepted. I think the feeling is that if legislation is provided for municipalities and does not include boards, then it might be interpreted that they were specifically not included so that they could not collect levies, and that might be argued in front of boards and the courts, and that there might be some jeopardy with regard to them imposing levies.

We collect for hydro and I think that was the concern, that if some have legislation and some do not, there might be some concern expressed, and indeed, challenges that they do not have the authority on legislation where the municipality does, and therefore they cannot, and were specifically left out so they could not. I think that is one of the concerns.

 $\underline{\text{Mayor McCallion}}\colon$ The MEA may be concerned. We have been collecting levies without legislation.

Mr Tassonyi: There is the truth of the matter. That is the key point.

Mayor McCallion: And hydro has been collecting levies without consultation with Ontario Hydro. We are aware of the Power Corporation Act. When I introduced it to Mississauga Hydro the question was, "Oh, well, we can't do it." I said, "Well, let's do it." So we did it and if the school boards had done the same we would not have the backlog of the building of schools in the city of Mississauga that we now have. In fact, they are using schools in Etobicoke because of the lack of lot levy. The province finally woke up to it and realized that we are pretty smart at the local level.

Mr Haggerty: This is Hazel's power, isn't it?

Mayor McCallion: Steve can tell you all about it.

Mr Mahoney: She sent a number of us down here.

The Chairman: Mr Reycraft and Mr Ferraro have a supplementary, so I hope they are the same one.

Mr Reycraft: I think another concern MEA had expressed yesterday was that of encroachment of area of responsibility. They feel that local hydroelectric commissions are democratically elected and if you are going to allow municipalities to charge lot levies for hydro, that there should be a mechanism similar to the one that is provided for boards of education to allow for development charges for services that belong to the authority.

<u>Mayor McCallion</u>: Our hydro commission is not elected. It is appointed by the city council.

Mr Mahoney: As are a few others.

Mayor McCallion: We changed that a few years ago.

Mr Ferraro: I appreciate the presentation and we hear, on a daily basis, from Mr Mahoney and Mr Offer, how courageous Mississauga people are. Certainly, Your Worship, that is exemplified at the top. can you tell me roughly how much you would collect on an annual basis for the hydro levy?

Second, I am doing a poll here as to whether there will be more legal actions as a result of Bill 20, as opposed to leaving the thing alone. I value your opinion in that regard.

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Mayor McCallion: I do not know. Frank, would you know?

Mr Koenig: No, I am sorry. I do not.

 ${\tt Mayor\ McCallion}$: We collect about \$20 million, as the city manager has said, on levies.

Mr Ferraro: That is, your city?

 $\underline{\text{Mayor McCallion}}$: That is our city. I do not know what the region collects, but it also collects.

Mr Ferraro: How is the levy for the hydro determined? Do you get that from the hydro commission?

Mayor McCallion: Yes, the staff of the hydro commission work with the staff of the city. It was a very complicated system, quite different from our roads and sewers in the formula that we used. There were many months of struggling with it to be sure that it was justified. We met with the developers and explained it to them as the basis on which the levy was established.

Mr Ferraro: Finally, just for clarification again, Your Worship, we were told that, according to the Power Corporation Act—and you are familiar with it, as well—that they were not allowed to charge the basic service, and that it was the consumers in Ontario who were supposed to pick up that tab.

And yet, Mississauga does charge a levy that is agreed upon in concert with the municipality and the hydro commission. Or is it solely a responsibility of the commission and then passed on to the municipality?

 $\underline{\text{Mayor McCallion}}$: It is solely the decision of the commission passed on to the municipality.

Mr Ferraro: Excuse me, Mr Chairman, I did not get an answer to my second question, because I asked a supplementary to my first one. If we have time, could I ask at the end about the legal challenges?

The Chairman: We will put your name down, although we are eating into our own lunch hour; if members want to, that is fine.

<u>Mr McCague</u>: Your success with lot levies has long been the envy of many municipalities in the province and now I guess it is the envy of the province, because it wants to put you under legislation.

However, just in a word, you do refer to the desirability of allowing hospitals to levy through the regions for, I presume, capital needs. Could you expand a little bit on that? I presume you agree with that.

Mayor McCallion: Oh, yes, we are very concerned about the legislation's eliminating our right to levy for hospitals.

Mr McCague: Can you just capsulize what the ability to levy for hospital purposes has meant to hospital construction in Mississauga or the region?

Mayor McCallion: I cannot give you the figures. How much?

Mr Mahoney: \$22 million.

Mayor McCallion: \$22 million.

Mayor McCallion: As a result, it means that the growth in the city of Mississauga with our brand-new Credit Valley Hospital, the citizens are happy that we have not neglected the health or hospital needs of our citizens. In my opinion it is one of the most essential services. It is sometimes more important than roads and sewers.

Mr Reycraft: I wanted to ask about the refund issue and your suggestion about change in the appeal process. My interpretation of what you said is that you are suggesting when someone objects, then the existing levy should stay in place and in effect until the objection is dealt with. Then if the municipal board ruled the levies were inappropriate and should be reduced, the reduced levies would only apply to development from that point on. Is that fair?

Mr Lychak: Yes. The point, if I might, is that is the appeal on the bylaw itself, so we are making the assumption that if there is an appeal on the bylaw, then the attack might be to the general bylaw itself, how the calculations are made, or some basic elements of the bylaw, and would impact all the levies you collected during that time period. So, over an 18-month period, it might be all the levies the city collected and might be \$20 million or \$30 million worth of levies. If you then had a reduction or change, the amounts of money could be so great that they really substantially impact the municipality and upfront would make us nervous about spending those dollars while they are under appeal.

So what we are saying is, put some limits on it. Either have the existing levies stay in force until the whole appeal process is exhausted and the new levies are finally confirmed by the last appeal body, if you like, which would be our preference; or the alternative would be that once a final decision is made, the reduced levies would go into effect from the date of the final decision and not be retroactive back to the initial appeal date, because the amounts of money could be very large and the impact could be very great on the municipality, if there were substantial swings in the amounts of levies. Do you follow my train of thought?

Mr Reycraft: I do. I understand the impact of a decision that would retroactively reduce the levies and that is your concern. But it seems to me that you do not serve the interests of justice if you accept a change like that. Where is the incentive to appeal, for example, if the reduction in levies or the change in levies is not going to apply to the area that is the cause for concern that results in the appeal?

Mr Lychak: Again, our assumption is that the initial appeals would be on the basis of the whole philosophy of levy structure calculations. The other provision which we referred to is where a specific developer would appeal with regard to the levies applicable to his development and the concerns about the time lines for appeal on that. We would anticipate the first ones would be to the very basic structure of the whole levy bylaw that is being brought forward by the municipality. The attack would be on the whole premise and philosophy of the bylaw and would impact all of the developers who are paying levies.

Agreed, there is that justice and fairness, and why would you appeal if you are not going to get anything out of it? On the other hand, most developers are in for the long-term, at least that is our experience in the municipality, and the developers who are there we see coming back all the time. So presumably, if they attack it and they are successful, they will enjoy the benefit in future developments. They may not get it on that one.

As I said, our preference would be to keep the existing one in place until the final appeals are over and then the new ones would come into force. I think that would be fair for all. It would give us some certainty in terms of collecting the existing levies over that period. The developer, knowing that and knowing if he is attacking it, what the final decision is and when it is finally given, that is what then comes in force. That uncertainty causes us some grief, that is the problem, financial grief. If the dollars we are talking are that great, \$20 million a year, and if the appeals go for a couple of years, the changes could be financially dramatic to us.

Mr Mahoney: I would have thought your answer would have been that you do not want to give an incentive to appeal.

Mayor McCallion: That is what I was thinking.

Mr Mahoney: Madam Mayor, you will recall that I served on the lot levy committee at the Association of Municipalities of Ontario for some time when we looked at this whole issue with the Urban Development Institute and reported back to council on a number of occasions.

One of the issues that came up, particularly from the development industry but also from other representatives on AMO, was the issue of goldplating. Maybe you could just respond? The concern, Mr Chairman, was always raised that if you are levying for an arena, it is state-of-the-art

arena complex, not goldplated, etc, that you establish certain guidelines. The same thing with whether it is your rolling stock or whatever, that you buy a Chevrolet and not a Cadillac, all of those kinds of issues. I think you would agree those are fair concerns, that no one certainly in our city has attempted to goldplate with any of the equipment, but it could happen if it was not addressed in some form of legislative protection. I do not know who wants to comment, but I wonder if you could mention your feelings on that?

Mayor McCallion: You see, Steve, as much as it has been your position as well as the council's position, that we do not need lot levy legislation, I am also aware that there are municipalities, and I am not going to name them, that pick figures out of mid—air and establish lot levies, because they see it as a source of revenue. So I can see the justification for some lot levy legislation in order to bring some semblance of consistency; and goldplating as well, as you say. Some municipalities could figure out the cost of an arena or the cost of a library on a goldplated basis, and I think that is one reason why the legislation is essential to those municipalities. Unfortunately, it affects the municipalities that do their homework, justify their figures as well as an accounting.

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I think accounting is also important. I have heard of municipalities that borrow money from one account to the other, and sometimes it is never paid back. We have a very strict rule on the money; that is why we are noted for having \$120 million in reserves, because it is there and it is not touched until it is used for the purpose for which it was raised. Therefore, the developers cannot complain about it.

Second, when Mr Switzer, head of the Urban Development Institute said that we used lot levies for our civic centre, I can assure you that I corrected him very quickly. We did not use lot levies for our civic centre even though we are collecting them, but we did not use them. We are collecting a lot levy for—

 $\underline{\text{Mr Tassonyi}}\colon \text{Was the financing of the civic centre entirely from a tax base?}$

<u>Mayor McCallion</u>: We set money aside in a sale of the Ontario water resources funding, a sale of land, the sale of our old city hall and \$16 million in interest. We were loaning money at 19 and 20 per cent interest during those years to others.

The Chairman: This committee had an earlier witness who suggested that there is a city somewhere near here that financed a \$60-million civic centre with lot levies, but no one asked him what it was. Now we know it was Mississauga, and we are left with no answer to that.

Mayor McCallion: Well, it is \$60 million.

The Chairman: I have one question that I have been asked to ask. Do you happen to know how many challenges to the Ontario Municipal Board have occurred to Mississauga lot levies since 1974?

Mr Lychak: I think in the last four years there have been three, maybe, and each of them has been on very small developments.

The Chairman: I wonder if maybe you could get us-

Mr Lychak: We could get that figure and submit it to you, Mr Chairman.

Just to follow up on the answer to Mr Mahoney, if I might just very briefly. The other part of the answer is that, of course, we establish all of our standards in our long-range plans, like the master plan for recreation and parks facilities where all of the facilities have standards set which are approved far in advance and by council after public meetings. The 10-year transportation facilities plan has all of the standards of the facilities that are to be put in place including the types of buses and the numbers of buses. All the standards of firehalls are approved by council in the 10-year capital program when all the spending estimates were put forward. All the standards are put forward, are approved in public forum and have been relatively consistent. We are keeping up with technology and the changes in technology, as I referred to in my text. They have been standardized and the major ones go through a public process.

The Chairman: I should tell you as well that there is a consensus in the committee to the effect that we should be looking at the whole hospital issue, and we intend to do that. The ministry's position is based in part or perhaps in large part on what it felt was a strong submission from municipalities that hospitals not be included, including perhaps even the region of Peel; but that may be based also on the resistance to education being included, which of course we are hearing from a number of municipalities.

Mayor McCallion: We were one of the very few regions—I am sure Steve knows and has mentioned this—that does assist with the financing of hospitals. Others do not.

The Chairman: Well, we are going to take a close look at that. We appreciate very much your coming and giving us a presentation, especially in view of your having been the historic pioneers in this whole issue.

Mayor McCallion: Mr Chairman, if you need any additional information you do not even have to consult us. He knows all the answers. Right? Thank you very much, members of the committee.

The Chairman: Thank you very much. We now have the sister city to Mississauga, the city of Brampton and presenting on behalf of the city of Brampton are Fred Dalzell, the commissioner, planning and development; and Peter Marshall, president of P. J. Marshall Advisory Services Inc. I understand there will be a submission given to us later. While the Brampton people are taking their places, we have another piece of interesting information we will have distributed.

Welcome to the committee. As we have had a number of interesting submissions this morning, I have let a few minutes go by with each one, but we will give you your full half-hour.

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CITY OF BRAMPTON

Mr F Dalzell: Thank you, Mr Chairman. I am sure we will be shorter than the last one. We are not going to give you the history of the city of Brampton. We have some trepidation being in the seat after Hazel.

 $\,$ My name is Fred Dalzell. I am the planning commissioner for the city of Brampton.

First, let me say that the city of Brampton firmly believes in lot levies for new growth and we are pleased to see that this government is taking a stand with the finalization of Bill 20. As one of the fastest—growing municipalities in the province, probably following Mississauga, we are presently ready to submit an official plan amendment to open another 4,000 acres of land to contain 75,000 people and levies are very important in this respect.

The city did submit a brief with its concerns on the green paper outlining the concerns of the city of Brampton. We have only received the draft regulations and have not had time to properly examine them or to speak to them at this time and we will submit our comments in writing.

Some of the city's comments on the green paper have been addressed in the legislation. However, there are still points that the city wishes to bring to the attention of the committee. A major issue that the city of Brampton brings is that of equipment. This issue, as written, will have a strong impact on the present taxpayers of Brampton if in fact they are to bear the expense of the benefits of new home owners for all the equipment required to service the new growth.

Mr Marshall of P. J. Marshall Advisory Services has been retained by the city of Brampton to review and update our levy policy. We, as does Mississauga, have a very strong policy, one that dictates exactly where the levies go and exactly where the levies are spent. They are on a computer program and are watched very carefully. Mr Marshall will provide to you more details in respect of my statement on growth.

Mr Marshall: As noted by Mr Dalzell, the city of Brampton submitted its comments on the green paper in February 1989. The legislation, as proposed in Bill 20, leaves a number of the city's concerns unaddressed, which Mr Dalzell indicated we will be responding to further after reviewing the regulations, but I will be speaking in some detail on the three most serious issues within Bill 20.

The first major concern deals with the exclusion of vehicles, furniture, office equipment, supplies, inventory and similar items. It should be noted that the city of Brampton has no difficulty with the exclusion of ongoing operating materials and supplies and other items which are normally provided through the operating budget of the municipality. The city of Brampton does not wish to stockpile fuel for buses or chlorine for swimming pools as part of the development charge process.

Of grave concern, however, is the exclusion of major capital equipment such as buses, fire trucks and apparatus, library books, furniture for community centres and the equipment necessary to make capital facilities operational. This exclusion of these items generates concern for two reasons. First, the exclusion flies in the face of the intent of the legislation, which is to recover growth-related capital costs from new development. There is no logical rationale for this exclusion. The legislation is in effect saying that the municipality can recover costs from development for fire stations, but no equipment with which to respond to the fires; for library buildings, but no books with which to provide service to the growth; for transit facilities, but no vehicles for which to provide service to the growth; for arenas, but no ice-making or ice-cleaning equipment to make the facility functional as an arena.

The intent of the legislation was to recover growth-related capital

costs from development at a level equal to the standard which currently prevails in the community. All required capital facilities and major equipment should be included to replicate the current level of service for the growth areas. To exclude these specific items simply inflicts the immediate cost back on to the existing taxpayers, taxpayers who have already paid to establish transit vehicles, library books, fire vehicles, etc, for the existing community.

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The second reason why this exclusion causes concern is that it may lead to inconsistent and arbitrary applications on a case-by-case basis before the Ontario Municipal Board. In essence, the board would have to determine on each case whether shelves in the library are equipment to be excluded or are they intrinsic parts of the construction of a library; are seats in a theatre equipment to be excluded or are they intrinsic parts of the construction of a theatre, and so on for a great number of facilities.

It must be stressed that each of the items to be included in the development charges must be part of a bylaw process whereby the municipality must establish that it is providing services at the levels which are provided currently in the community and through which the development industry has the full right of appeal.

The city of Brampton strongly urges the removal of these exclusions from Bill 20, therefore, and recommends that the legislation allow for the recovery of all capital requirements at the generally prevailing level of service, and allow the appeal process to protect the development industry from any possible gold-plating of municipal services.

The second major concern of the city of Brampton deals with the potentially lengthy appeal process and the dangerous financial liability which this may inflict on the city. Under Bill 20, most major Ontario municipalities would be required to approve a development charge bylaw within one year of the passing of the legislation. All of these bylaws would be subject to possible appeal.

The developers would be allowed to appeal the bylaw while they continue to develop and as the hearing is scheduled and heard. They would have paid the development charges set out in the bylaw but would be eligible for refund if one was granted by the OMB decision.

If a backlog occurs at the OMB due to scheduling, a large number of appeals, delays on the part of the development industry, thousands of units would proceed to construction over a one— to two—year period, say, and these units would require services. The municipality would be in a position where it needed to spend the development charge receipts in order to service the development but could be forced to reimburse the money after it is spent, together with interest, through OMB repeal or amendment of the bylaw.

The municipality cannot control the number of appeals across the province, cannot control the staffing of the Ontario Municipal Board or the time required to obtain an OMB ruling on its bylaw. The potential for a one—to two—year delay in the appeal process through the OMB and the establishment of a large contingent liability for the municipality must be avoided.

The city of Brampton strongly urges no retroactivity of refunds, with the revised amounts set by an OMB decision to become effective at that time.

This would encourage the development industry to proceed expeditiously with any appeal process and this limit would also ensure that the municipalities in Ontario are not put in a position where they are unable to finance refunds over a number of years as the money has already been spent or committed for the capital facilities.

If retroactivity is to remain within the bill, the city strongly urges a set time period of six months for which retroactive refunds would be payable to developers. Developers can pursue the appeal to the bylaw beyond that time period, but only those developments which had paid development charges under the bylaw within six months of the OMB decision would be eligible for a retroactive refund. Again, this would encourage the developers to push for an expeditious process and an early hearing, and would again at least limit and reduce the amount of the contingent liability that could be building up for the municipality.

The third major concern of the city of Brampton deals with the phrasing of section 43 of the bill. As presently worded, this section prohibits municipalities from entering into agreements under the Planning Act after the coming into force of the Development Charges Act. These agreements are presently the basis of the city's method of recovering growth-related costs from development, and they should be allowed to continue until the end of the one-year time period within which Brampton would be required to establish a development charges bylaw. The amendment of this section is necessary only to allow the smooth transition between the present system and that envisaged under Bill 20.

We would be pleased to answer any questions the committee may have with respect to the presentation, and thank you for giving us the opportunity to make the submission. We will confirm the submission with the clerk's office in writing.

Mr Ferraro: Thank you for the presentation, gentlemen. If you want to send in the presentation, that is fine, but you are all on Hansard, so that may save you some work.

The concern you expressed about retroactivity, and I was asking a representative of the ministry about it, I think is a real valid one when we think about it. It has been brought to our attention before. Just so that I understand it correctly, under the present legislation there is no retroactivity; under the proposed legislation there is a retroactivity fear.

<u>Mr Marshall</u>: Under the present situation, since the charges are imposed as a condition of a development agreement, an appeal to the Ontario Municipal Board deals only with that one specific agreement. If I am developing a 100-house subdivision, any decision rendered by the OMB deals with those 100 houses, none before and none after. Under this bylaw, all development charges paid under that bylaw since the date of the appeal would be subject to refund with interest.

In particular, the inclusion of interest means there is no real incentive on the part of the development industry to speed up the process. If there happens to be a two-year backlog, it does not matter to them. With the number of houses within a community such as Brampton, you may be talking about 50 bylaws, you may be talking about all filed within the first-year period and 50 bylaws all appealed within the first-year period that would all have to go to the OMB. A two-year delay would probably mean \$25 million in the case of the city of Brampton, and some portion of that could be at risk; certainly not

the whole \$25 million.

 $\underline{\mathsf{Mr}\ \mathsf{F.}\ \mathsf{Dalzell}}$: In essence, I think what it means is that the city, under any circumstances, could not proceed with any development functions, that is arenas, pools, roads or anything, until we are assured that the money is there. Otherwise, we cannot afford to do it.

 $\underline{\text{Mr Polsinelli}}\colon$ You asked that section 43 of the bill be amended. The government has already indicated that will be amended, so that you will be able to enter into agreements under sections 50 and 52 of the Planning Act until you have to—

Mr. Marshall: Until the end of the one-year period.

Mr Polsinelli: That is right.

<u>The Chairman</u>: Incidentally, we were passed a document that indicates you have \$24 million in the bank because of lot levies and developers' contributions to the reserve balances. Does that make sense?

Mr. Tassonyi: That was in 1987.

Mr Marshall: I do not know the present balance off the top of my head. I do know that there are specific functions—for instance, parks facilities—where the balance is, I would say, much less than one year's worth of construction, less than \$3 million. I know, for instance, \$3 million was set aside at the end of 1987 with respect to another major library facility in the growth area that Mr. Dalzell was referring to. They are all accounted for on a program—by—program basis.

 $\underline{\text{Mr. Dalzell:}}$ It did not show the committals; just the balance, not the committals.

<u>The Chairman</u>: No. It was just a round figure. I was just testing to see whether or not it might be a surprising figure, because I do not suppose it means anything in particular to you on a day-to-day basis.

We appreciate your coming and making your presentation to us. We look forward to your printed document as well, and we will take it all into consideration.

We are scheduling a subcommittee meeting tomorrow at $9:30~{\rm am}$ to discuss some autumn problems and concerns. We will meet again at two o'clock.

The committee adjourned at 1210.

LESTED SWIFT

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

DEVELOPMENT CHARGES ACT, 1989

TUESDAY 29 AUGUST 1989

Afternoon Sitting



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

CHAIRMAN: Cooke, David R. (Kitchener L)

VICE-CHAIRMAN: Pelissero, Harry E. (Lincoln L)

Cleary, John C. (Cornwall L)

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Kozyra, Taras B. (Port Arthur L)

Mackenzie, Bob (Hamilton East NDP)

McCague, George R. (Simcoe West PC)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Pope, Alan W. (Cochrane South PC)

Substitutions:

Jackson, Cameron (Burlington South PC) for Mr Pope Polsinelli, Claudio (Yorkview L) for Mr Kozyra Reycraft, Douglas R. (Middlesex L) for Ms Hart

Also taking part:

Cousens, W. Donald (Markham PC)

Epp, Herbert A. (Waterloo North L)

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Education:

Dalzell, Elizabeth, Policy/Legislation Analyst, School Business and Finance Branch

From the Ministry of Municipal Affairs:

Tassonyi, Almos, Senior Economist, Taxation Policy, Municipal Finance Branch

From the Regional Municipality of York:

Oakes, Edward A., Solicitor

From the Town of Vaughan: Jackson, Lorna, Mayor

Somerville, Scott C., Chief Administrative Officer

From the Regional Municipality of York:

Gerswell, Kelly, Regional Treasurer

Individual Presentations:

Levin, Sanford

McCrosson, Michael G.

From the Waterloo County Board of Education: Sanderson, Susan, Vice-Chairperson Ewasko, Al, Superintendent of Business and Treasurer Ward, Ray, Director of Education and Secretary Monteith, John, Trustee Smith, Chris, Senior Planner, Physical Resources

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Tuesday 29 August 1989

The committee met at 1400 in committee room 2.

DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

The Chairman: The clerk will be passing around a new schedule for the rest of this week. We will be meeting all day tomorrow and all day Thursday. I heard some private questioning about that. She indicates to me that we were informed of that some time ago, so that should not be a surprise to anyone.

This afternoon, we have two presentations from the regional municipality of York, as you can see, surrounding the town of Vaughan. You can take what you wish from that scheduling. They are entirely separate presentations with entirely separate thrusts. First of all, we have Edward Oakes, barrister and solicitor. Welcome to the committee, Mr Oakes. I am not sure whether the document we have in front of us is what you are going to be talking about. Is it?

Mr Oakes: Yes.

 $\underline{\text{The Chairman}}\colon \text{All right. Perhaps you can lead us through it and then entertain some questions.}$

REGIONAL MUNICIPALITY OF YORK

Mr Oakes: I would like first to thank your capable clerk Lisa Freedman for her kind co-operation, which has certainly made our job here a lot easier. Kelly Cerswell, the regional treasurer, will be speaking to you at three o'clock on the financial implications of Bill 20. I will say a few words on the legal implications.

We have submitted a comprehensive brief. Lisa tells me I have 15 minutes to make the presentation and then there will be 15 minutes of questioning. Obviously, I will not be able to present the whole brief in 15 minutes, but I will present two or three of the parts that we think are especially important.

First of all, Part I of the proposed legislation purports to give municipalities authority to levy development charges. To that, we say that this authority already exists in the Planning Act and municipalities have been using it for many years. The present system, in our experience, is efficient, simple, inexpensive to administer. The proposed system, we are afraid, is going to be none of these things.

The present system is understood by developers and it is generally accepted by them. I say this, because in the region of York, we have had the lot levy system in place for 10 years and our regional system has never been challenged either in the courts or at the Ontario Municipal Board. The

machinery is there to take us to either forum if anybody had been unhappy with the system.

The present system permits growth. In recent years, it is my understanding that Ontario has led all of the provinces in growth and York region has accommodated just under 25 per cent of that growth. In the last seven or eight years, it is my understanding, just under 25 per cent of the growth that has taken place in Ontario has occurred in the region of York, and during the whole of that time, each of the nine area municipalities and the regional municipality have all had lot levy systems in place. Obviously, the existing lot levy system is not inhibiting growth. It is permitting that growth to take place without undue tax increases and without an undue debt burden being placed on the rate payers.

Facing page 2 of our brief, I have inserted an extract from one of our recent debenture bylaws, which graphically illustrates the effect of debenture debt on the municipal finances. You can see that in that instance \$24 million of construction of municipal services is going to end up costing the taxpayers \$46 million. Kelly Cerswell will go into that in detail.

Basically, we have been able to keep that debenture debt within bounds by reason of the existing lot levy system. We are afraid that we are not going to be able to do so under this proposed legislation. I do not suppose you have had any lending institutions down here objecting to this bill. My feeling is that they are going to love it.

Our submission, then, is that a system that is working well, as the present system is, should not be subjected to wholesale change. If it is desired to fine—tune it, that can be accomplished by simple amendments to the Planning Act. For example, if you want to bring in zoning bylaws as one of the developments which will permit a lot levy, that can be accomplished very easily by a simple amendment to the existing legislation.

That is our primary submission. In the alternative, in case Part I of the proposed statute is going to be enacted, I will make certain suggestions as to amendments we think should take place.

I would first like to deal with the definition of capital cost. As defined, it would not appear to permit levies for what we call the Ministry of the Environment agreement projects. These are the major sewer and water projects that are constructed for municipalities by the MOE and for which the municipalities pay by user fees.

Neither would it appear to permit levies to finance the construction of municipal works that are built by one municipality for use by another. In York region, we are presently in negotiation with Metropolitan Toronto about sharing the costs of financing an expansion to the metropolitan waterworks system that will be used in part by the residents of Metro and in part by the residents of York region. York region is going to pay its proportionate share of that system, but unless this definition is changed, York region will not be able to place a lot levy to finance its share.

Second, the parts of the existing definition that would prevent a levy for certain specified municipal services, in our opinion, are most inappropriate and should not be enacted. In our view, there is no logical basis for allowing municipalities to impose a levy to construct a sewer to remove the liquid waste from a new subdivision but forbidding them to levy to finance the cost of a garbage truck that will be required to remove the solid

waste from the same development. As far as we are concerned, municipal services are indivisible for the purpose of development charges.

The effect of the proposed legislation, in our submission, is to introduce an artificial dichotomy which will be very harmful to us. The effect of the present legislation is that all municipal services are eligible and that should be retained.

If the leviable services are to be restricted—we hope they will not be—the restrictions, in our submission, should be set out in the legislation where they will be subject to the scrutiny and debate that the legislative process permits. Clause 19(c), as we read it, permits these restrictions to be put in place by regulation. Municipalities will not know anything about them until they are a fait accompli. We do not think that is the appropriate way of dealing with such an important matter.

Section 3: Section 3 in many ways is the heart of Part I of the act. It purports to authorize municipal development charges, which, as I have said, are already authorized by the Planning Act. If enacted in its present form, this section will have a drastic effect on the existing practices. The effect, in our view, will be threefold. This is because of the conditions precedent that are embodied in section 3 to the enactment of a development charges bylaw.

First of all, in its present form, it will require the need for increased services to be demonstrated on a development—by—development basis. While there is no question that the cumulative effect of development is to increase the need for municipal services, it is something that can be very difficult to establish, particularly when you are talking about regional services in respect of any single development. It would be pretty hard for us to show that one severance is going to result in an increased need for regional roads. It is not at all hard to conclude that the 400 or 500 severances that take place over the course of a year will have that result, but if challenged we would not be able to demonstrate it with regard to any one severance.

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The second effect, in our submission, will be to restrict the leviable services to the so-called hard services. This is because of the wording in the act that says you can pass the bylaw if the effect of the development would be to increase the need for services in respect of that land, ie, the land that is the subject of the development. Services in respect of land is the very definition of hard services. The general services such as library services and welfare services and other municipal services are not thought of as being services in respect of land.

So section 3 if passed in its present form is going to have the immediate effect—and I have talked to other lawyers about this; I am quite certain of it—of causing litigation to interpret it. Of course, the developers will be saying that all of the soft—service levies are knocked out, because they are not services in respect of that land.

At present there is no distinction in the Planning Act between the services that can be levied. The Planning Act refers simply to municipal services, period, and we think this act should do the same. It should not be restricted to services in respect of that land.

The third major effect of section 3 will be to require services to be

levied on a site-specific basis. That again is the effect of the phrase "services in respect of that land." Under the Planning Act at present, a site-specific levy is an option that municipalities have, but they do not have to levy on that basis. In our opinion, this act would make it mandatory.

I have one suggestion particularly as to the developments that should be added to the list of developments that will permit the imposition of lot levies as set out in section 3; that is, bylaws releasing the part-lot control provisions of the Planning Act. They should be included. The effect of such a bylaw is the same as a severance. It creates a lot or a number of lots, and these part-lot control releasing bylaws are used routinely by industrial developers.

I have been asked by the solicitor for the regional municipality of Halton to suggest that the issuance of a development permit under section 24 of the Niagara Escarpment Planning and Development Act should also be added to the list, and I make that request on his behalf. However, I must say that after reading the Niagara Escarpment Planning and Development Act and after reading this act, I find it hard to see that there is anything in this act that would prevent a levy being imposed as the condition of issuing a development permit under that act.

While I am at it, I also should say that in my opinion there really is not anything in this act as it is presently worded that would prohibit a levy being imposed as the result of the approval of a development under the Planning Act, provided that the levy was not imposed pursuant to a subdivision agreement. The subdivision agreements are expressly provided for in section 43. We have been levying development charges for 10 years in the region of York, and we have never had a subdivision agreement. We do not go that route, and you do not have to under the Planning Act. That seems to be the only avenue that is blocked off by this section, by this statute. I do not know if that is the intention, but that seems to be the result.

I would like to say a word about section 4. Section 4 is the section that actually permits the municipality to enact a development charge bylaw. There are some 15 pages of this statute in Part I, and if you analyze it, the municipal council gets to make two decisions. The first decision is the decision to enact a development charge bylaw. The second decision is the decision as to whether it is going to give a refund. Both decisions are subject to appeal to the Ontario Municipal Board. It appears to us that whoever drafted this did not have a very high opinion of the intelligence of municipal councillors. The only two things this act lets them do are both subject to appeal.

As you know, section 4 provides that the council, if it is thinking of enacting a bylaw under this act, has to advertise its intentions in the paper 20 days before the meeting. It has to hold a public meeting. It has to ensure that sufficient information is made available at the meeting to allow the public to understand what is going on. Then it has to hear representations from anybody who attends the meeting and who requests the opportunity to be heard.

After having done all that and after having considered the matter, if it decides to go ahead and enact the bylaw, anybody at all, under this legislation, can come in off the street and appeal that decision to the Ontario Municipal Board. It could include somebody who has never had a development, has not now got a development and never will have a development. Under this legislation, he is allowed to take the municipality to the OMB.

There, the Ontario Municipal Board, an appointed body, can decide in its wisdom that the decision to enact the development bylaw is wrong and can overturn it. With all due respect, that is not in accordance with any notion of responsible government that we have presently obtaining in this country. We think there should be no appeal whatever, except to the ratepayers at election time, from the decision to enact the development charge bylaw. That is not saying there should not be some review provided for it.

If, subsequently, a developer feels that the development charges are going to unfairly impact his development, then certainly review is in order with regard to that specific matter. Reviews such as that require the leading of evidence, they require an opportunity to cross—examine, they require the filing of exhibits, they require or involve expert evidence being given by accountants, financial experts and perhaps planners, and the municipal council is just not the proper forum for this kind of review. Sometimes that review takes days; not infrequently, it can last over a period of weeks. Municipal councils are no good at that kind of thing. The Ontario Municipal Board is very good at that, and there is no reason whatever why a review of that nature should not take place at the OMB.

Here is where we differ with the legislation, both the existing and the proposed. We feel that the ultimate decision should rest with the elected people. They are the ones who are responsible to the electorate for administering the affairs of the municipality, not the OMB. We feel that a system should be put in place that is similar to the inquiry system under the Expropriations Act. Let the municipal board conduct the review on the complaint of any individual developer. Let it make findings of fact as to how the development charge is going to impact the proposed development. Let it make a report to the municipal council setting out just how that is going to occur, what is involved. In addition, if you will, let it set out its recommendations as to what action should be taken. But we say let the decision as to what is going to be done be made by the elected people who are responsible for making such decisions and not by the appointed body that does not really have any responsibility at all to the ratepayers as to how the affairs of the municipality are going to be run.

There is a great deal more that we have in this brief, but I think I have already even overstated my appointed time. I will deal with any questions now if the members have any.

 ${\it \underline{The\ Chairman}}$: You have opened some interesting areas for debate. Mr Reycraft has a question.

<u>Mr Reycraft</u>: Two questions. The first deals with the use of the Planning Act that York is making to collect lot levies. You said you were not using subdivision agreements as many other municipalities are. What section of the Planning Act are you using?

 $\underline{\text{Mr Oakes}}$: We are using subsection 50(5). What we do is what is commonly done by land division committees and committees of adjustment all over the province. We simply impose the conditions.

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First of all, we set the levies by resolution of council. So the levies are out in the open and everybody knows what they are. We then impose the condition that the levies be paid as a condition of approval of a plan of subdivision. The land division committee imposes it as a condition of

severance. The local committees of adjustment that have jurisdiction in some of the area municipalities impose it as a condition of severance consents that they are granting.

When a fellow comes in to get his deed stamped, in a severance example, he brings in his cheque, hands it over to the land division committee and it stamps a consent on the deed. Because we have the delegated authority to approve plans of subdivision in York region, when he comes in to us he brings his cheque in, hands it over and is given his signed plan.

It is a very simple system and perfectly legal. In fact, the Planning Act seems to contemplate that the subdivision agreement system is sort of an afterthought, but this works very well for us and we have never been challenged. It is simple, efficient, inexpensive to administer and, with respect, the system proposed by this act is going to be none of those things.

It has worked well for us for 10 years.

Mr Reycraft: Do the development charges that you are using reflect the capital cost of new development?

Mr Oakes: No. Under the existing provisions of the Municipal Act—I list the section in the brief; I think it is 216 or 217—I think that has to be the case now, that if you impose a charge to provide services for a new subdivision, they have to be services that are going to be required by that new development and the money has to be expended for that purpose. There is an escape clause in the present legislation in the Municipal Act. It provides that, but goes on to say that if it turns out at the end of the day that the money is not needed for that purpose, then it can be spent for other purposes. First of all, you have to establish that it is not going to be required for the purpose of financing the expansion of the services to accommodate the growth.

Mr Reycraft: Is the charge different for every subdivision?

<u>Mr Oakes</u>: No. Our charge is set out in resolution of the council and that is it. It applies to all subdivisions. It is imposed as a condition of the approval of the subdivision plan.

Mr Reycraft: Is it reviewed and changed annually?

<u>Mr Oakes</u>: At intervals. It has not been exactly annually; in the past it has been a little longer than annually. But it is subject to review and change and has been changed several times.

Mr Reycraft: When it has been changed, has there been a study done to determine what the development cost is or was it an inflationary increase as well?

<u>Mr Oakes</u>: The treasurer will deal with that. It has been more or less a study. We have hired a consultant in each case and he has done a comprehensive study and report. He has submitted that and it has been considered by the council. As a result of it, the development charge has been altered.

Mr Polsinelli: It is definitely thought-provoking. You had me scurrying back and forth trying to find a bit of a rationale here. I was interested in your comments on section 3 of the act, which I guess would be the operative section here, that says "the council of a municipality may pass bylaws for the imposition of development charges against land if the development of the land would increase the need for services in respect of that land."

You said that limits the municipality's power to pass development charges only for hard services. I take it by "hard services" you mean sewers, water, roads and those types of things.

Mr Oakes: That is it.

Mr Polsinelli: Do you think it would prohibit levying a development charge for a skating rink or hockey arena?

<u>Mr Oakes</u>: That certainly is what is going to be argued, that those services relate to the needs of people regardless of any particular piece of land, whereas sewers, roads and watermains, especially at the local level, connect right up to that lot. You cannot have much argument about that. They service that land, but the other services do not, at least not in the same way.

Mr Polsinelli: I will admit that is a literal interpretation of section 3 but, as a lawyer, I am sure you know that words do not always mean what they appear to mean.

Mr Pelissero: That is a pretty strong condemnation of lawyers.

Mr Polsinelli: That is one of the reasons that in legislation, usually there is an interpretation section or a definitions section. I was scurrying back and forth between section 3 and the definitions section. I realized that a development charge, as defined in the definitions section, includes an item called capital cost—I guess the net capital cost—and if you look at what capital cost is, which forms part of the development charge, that is: "costs incurred...by a municipality to acquire or improve land and to acquire, construct or improve buildings, structures or facilities."

If that were read in as part of the imposition of development charges in section 3, would you not agree that it would also include the softer services, such as the construction of a skating rink or hockey arena, a football field or something of that nature?

Mr Oakes: In the copy of the bill that I have, "development charge" is defined as simply "a charge imposed with respect to growth-related net capital costs against land." The phrase is in there again, "against land." That is the bugbear.

Mr Polsinelli: But the problem is that the only building that could benefit land, as I can see it, would be a sewage treatment facility. Would you not have to take a slightly wider interpretation?

Mr Oakes: What section are you reading from? Capital cost?

Mr Polsinelli: No, if you look at the definitions section, it says, "'development charge' means a charge imposed with respect to growth-related net capital costs against land under a bylaw passed under section 3." If you look at what capital cost is, the definition is, "costs incurred or proposed to be incurred by a municipality, (a) to acquire or improve land," which I guess is the part you are arguing, and it expands the definition "(b) to acquire, construct or improve buildings, structures or facilities."

Mr Oakes: Right.

Mr Polsinelli: Once you take that as fitting into what a development charge is, you then go to section 3, where it says, "The council of a municipality may pass bylaws for the imposition of development charges...." But development charges have already been defined in the definitions section to expand it, as I would interpret it, past the point of hard services to include those softer services that you think have been excluded.

<u>Mr Oakes</u>: Maybe that is the intent. We doubt very much whether it has been accomplished by this wording because you still come down to the fact that it has to increase the need for the services with respect to that land. That is your condition precedent for passing the bylaw at all.

. The other definition says what you can put in the bylaw once you have passed it, but as a condition precedent for passing a bylaw in the first place, you have to establish that it increases the need for services in respect to the very land that is the subject of the development. You have to establish that before you get on to the calculation of it at all.

Once you have established that, the capital cost and the other definitions tell you what you can include in your levy. But you have to look to section 3 first to see if you can pass a levy in the first place. That is our opinion.

Mr Polsinelli: Thank you for pointing that out. I think we will take it back to the ministry solicitors and have them review it.

Mr Tassonyi: To interject, the ministry solicitors are aware that particular issue has been raised previously by the association of regional municipal solicitors. It is very likely it will be taking a closer look at that issue.

Mr Oakes: It is quite a different wording from the wording contained in the present section of the Planning Act, 1983. That section simply refers to municipal services, simpliciter.

If you are going to change that definition, the implication is you are referring to something else. You are narrowing it down.

There is a lot more I could say but I do not dare trespass on the time that has been allocated to the mayor of Vaughan. I just do not dare.

The Chairman: Thank you very much for your presentation.

We have a lot of technical problems to concern ourselves with.

Our next presenters are the town of Vaughan, her worship, Mayor Lorna Jackson. With Ms Jackson is Scott Somerville, the chief executive officer. Welcome. Please do not feel intimidated because York has surrounded you. We do not have a brief from you at the moment.

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TOWN OF VAUGHAN

Mayor Jackson: No, that is correct. Mr Chairman, thank you and good afternoon to all the members of this committee. The reason we are not

submitting a brief is that I felt I would just like to come here and speak on behalf of a municipality that has been in this business of lot levies for a long time and just try to express to you the concerns that we have and the reason why we got into lot levies in the first place. I do understand that you will be getting a transcript of what I say, so I do not have anything to present to you right now.

First of all, for those of you who do not know the town of Vaughan, we are the municipality immediately north of the Metropolitan Toronto border. For years we were a very sleepy community, nothing was happening, until the big pipe came. The big pipe came about 10 years ago and because of that we were facing this terrific influx of new people. At that time we realized that the people we had living there then, our long-term residents, our farmers, certainly could not start to supply the funds for the services the new urban community that was coming to Vaughan was going to demand. We realized that very early.

Therefore at that time, 12 years ago, we were looking at a community in Thornhill/Vaughan that was going to face very rapid growth. We were projecting a population of 75,000 people and at that time the village of Thornhill was 3,500. So you can see there was going to be a terrific change taking place. Many of the services the new people would be demanding were not there and we realized this was going to be a problem.

We sat down with the developers who were in the Thornhill/Vaughan community. They realized the problems they were going to create for our community and realized that there was going to be a need for lot levies in order to provide the services the new people they were attracting were going to demand from us.

At that time, 10 years ago, the developers' community came up with this document. This is a document that was presented to the town of Vaughan and was the developers' idea of how they could assist us in paying for the services. We used this document in formulating our first lot levies. These were done with the assistance and with the dialogue going on with the development community at all times. This document that was presented to us by the developers contains large sections concerned with soft services. In fact, I will just read to you one of the sections here. As I want to emphasize, this was from the development community.

"The purpose of this report is to determine the amount and type of soft services appropriate for the Thornhill/Vaughan community in the town of Vaughan. The term 'soft services' refers to those facilities related to residential development that provide for recreational, example sports, and community uses, example libraries, firehall, administration building needs."

So it was well-recognized by the development community at that time that there was need for assistance in the soft services side, as well as for the hard services that are also outlined in here.

To accommodate this rapid growth and not incur a major decline in the services already provided to the existing community, the developers and the town found it necessary to include in the development levies all of those things that I have just stated. This also included library books, fire equipment, rolling stock, furniture and equipment.

That need which was evident 10 years ago is still very evident and although our population has now grown from 18,500 to over 100,000, that need, that demand of new people coming in is still very evident to us.

Vaughan most strongly recommends that the definition of "capital costs" be amended to include vehicles, including transit vehicles, furniture, equipment, library books and resource material; for example, the section 1 definition of "capital costs" be redefined to include all growth related capital costs for new development infrastructure.

The new growth development has been paying for fire vehicles, rolling stock, transit buses and library books for 10 years. Why transfer this off the backs of the land development companies and now on to the backs of the ratepayers? The ratepayers are already paying for all of the replacement costs. They pay to replace fire engines, they pay to replace the library books, but it is that initial equipping of new facilities that we need assistance in.

There is this question of affordability. My concern is that if all lot levies were included in the price of a house—and that is assuming they are; it is often said that the market really does dictate the cost of a new home, but if in fact we were saying it was adding to the cost of the new home, the percentage portion of lot levies on an average house in Vaughan in 1980 was 3.2 per cent, in 1985 it was four per cent and it is now, in 1989, 2.8 per cent of the cost of the average home. That is the portion we are charging for lot levies.

There is also the other question of affordability, and this comes in with what will happen to our present residents, what will happen to our rural communities, to our senior citizens and to our young families if our property taxes have to continue to increase to pay for these services that are now paid for out of lot levies. That is a very great concern of ours, the long-term affordability of being able to live in the town of Vaughan.

We have with us today for the committee's consideration copies of all of our currently adopted town of Vaughan lot levy policies to tangibly demonstrate that Vaughan has considered all of the issues of documentation, justification and accountability. We are confident that upon consideration of this material, the committee will agree that we have followed a responsible and consistent pattern of lot levy development for the last 10 years. We have never pulled a figure out of the air and said that is our lot levy, not from day one. We have sat down and calculated exactly what we feel those new communities, those new residents will require and that has been charged back in the development levy.

These are the documents we have here. These have been very carefully documented and, as I stated earlier, have been formulated with the assistance and with dialogue with the development community.

We have never had a challenge, and I think that is demonstration enough that we have done our homework and we have done it properly and it always has been an acceptable charge to the development community. It is only since the green paper was introduced that we are starting to get some murmurings from that community, but up until then we had not had any challenges to our development levy projects.

I guess what it really comes down to is our concern that with the introduction of Bill 20 things will change, because up until now we have been operating responsibly and with the co-operation of the development community and we would not like to see that changed. If Bill 20 is enacted in its present form, it will create undue financial burden on our residents, both short- and long-term, and our rural communities, and we are very concerned about that.

We would like to see some changes made to Bill 20 that would ensure that soft services are included, and I think this is the clarification that Mr Oakes was looking for. We are also concerned that the documents we have now will in some way be weakened by Bill 20 in that we will not be able to continue along as we have been doing.

Mr Somerville is our chief administrative officer and has been very active in formulating our lot levy policies from the first day he came to the town of Vaughan. He would perhaps like to make some statements with regard to the actual drafting of the levy documents that we have been doing in the past.

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Mr Somerville: We appreciate the opportunity to appear. One of the objectives we have for today is just to try to impress upon the committee the seriousness with which Vaughan undertook to develop its lot levy policies.

I have to say personally that one of the approaches we took from an administrative perspective when we got into the levy formulation was that right off the bat we developed the position that sooner or later in the lot levy field we were going to be challenged. Somewhere along the line, some day, some person, somewhere, some developer was going to challenge us.

As her worship has said, that has not happened as yet. Part of the reason it has not happened, I believe, is twofold. One, we believe very strongly that we have done our homework on the documents. The decision was made that rather than "pull a figure out of the air," we determined that we would established levels of service throughout the whole community.

It is not throughout the whole town of Vaughan, I might add. As to the documents staff has taken out to have reproduced, there are four different documents. They represent the four major areas of Vaughan that are presently under levies. They are the Thornhill-Vaughan community, plan population 75,000; the Woodbridge community, plan population 60,000; the Maple community, plan population 20,000 to 22,000. We have a levy for our industry community as well because Vaughan has some 67,000 acres of industrial land that is developable so we have a levy there as well.

The whole purpose was to establish the levels of service to come out of each one of those communities. Consequently, we have a different actual lot levy figure that will come out of each community. They differ depending on the services that community requires, but they were formulated on the basis of the services, the number of arenas for 75,000 people. We used provincial standards in most cases. We used development standards in many cases. We sat down with the development community, a developers' group in the Thornhill-Vaughan community. We literally negotiated the level of service.

I think the important thing I would like to pass on to this committee is that over the 10 years of Vaughan's levies—you will see them throughout the documents if you get a chance to look at them—the levels of service that have been established in there have not altered over the 10 years. What has altered, and where Vaughan is subject to a lot of criticism over the past few days, months and years, is the amount of the levy, but the level of service has not altered appreciably. What has altered is inflation, cost, real cost of construction, experience of cost of construction.

I think we have all found examples where we got into something and found out that it cost more than we really thought it would. As her worship has

mentioned, the developers have expressed concerns at times with respect to the amounts, and we have always been able to sit down with them and rationalize and demonstrate our support for those documents.

We would just wish to leave the committee with the impression and the understanding that it is a system that is under constant review. It is a system for which, basically, a review process takes eight to nine months. The present documents we have before you were completed in May of this year. It was about an eight-month preparation period. It was in all sincerity quite coincidental with the date of the provincial budget and we make no apologies for that.

We are there. We have our homework done. We have the services listed. We have the cost of those services listed. We have the areas for development listed. We account for it separately. We do not cross boundaries, if that is the right word, with respect to how those levies are used. Levies are collected and totally used within the community from which they are collected. We do not use it as a sort of intermunicipal fund for capital expenditures. Consequently, we can in some instances have funds on hand in one community's levy but not in another's, but they are accounted for separately.

We believe that our documents have integrity and we believe that they also can stand the test of a challenge, should it come.

Mayor Jackson: If there are any questions, we will be happy to answer them.

The Chairman: There are questions. Incidentally, we are having the documents reproduced, but they are so thick that it has been suggested each party have one copy, if that is agreeable.

 $\underline{\text{Mr Ferrano}}$: I have just one question. Your worship, you made a point of indicating, and I am sure it is accurate, the percentage of lot levies vis \hat{a} -vis the average price in the town of Vaughan, and I think was over a three-year period. It went two point something to three point something to 2.8.

Mayor Jackson: In 1980, it was 3.2; in 1985, it was four and in 1989, it is 2.8 per cent of the cost of the average new home.

Mr Ferraro: Your worship, it would be helpful to me and I think to the committee if we also have the corresponding increase in value of that average house.

Mayor Jackson: I took those figures from the region of York submission, which will be coming later today, so perhaps those figures will be available then.

 $\underline{\text{Mr Ferraro}}\colon I$ guess it is safe to say, though, that from a percentage standpoint, it is somewhat misleading unless you have that other figure.

Mayor Jackson: Well, of course, we all know that the cost of houses has greatly increased, as our lots have, but we are still talking about a percentage of the total cost.

Mr Morin-Strom: Thank you for your presentation today. I wonder if you can tell us what the average cost of a home is in Vaughan.

Mayor Jackson: I would say that the average cost of a home is probably just over \$300,000.

 $\underline{\text{Mr Morin-Strom}}\colon \text{Would}$ that reflect the cost of new homes that are coming on the market?

Mayor Jackson: I am sorry. I was referring-

Mr Morin-Strom: Would the cost of new homes coming on the market be different from-

<u>Mayor Jackson</u>: I am sorry. I was referring to new homes. I believe I have read that the average cost of a home in Vaughan is \$250,000. I believe \$280,000 is correct. That was the Toronto Real Estate Board.

Mr Morin-Strom: What is your level of lot levy right now?

<u>Mayor Jackson</u>: It varies from community to community. Perhaps Mr Somerville could—

Mr Somerville: In the Thornhill-Vaughan community—I am giving approximate figures—it is approximately \$8,200. In the Woodbridge community, it is about \$8,200. In the Maple community, it is about \$8,000. They are roughly all about the same.

Because of the fact that the town of Vaughan has gone from 18,000 people to 100,000 in under 10 years, it is all new development. Consequently, we were faced with the situation that all the areas of high growth required, relatively speaking, the same levels of service in terms of fire services, recreation services and community services, so the levies are approximately the same.

Mr Polsinelli: Is that just lower tier or-

Mr Somerville: They are just lower tier.

Mr Morin-Strom: Our figures for February 1989, which I guess was earlier this year, six months ago, showed lower tier in Vaughan at \$5,672, so there has been a substantial increase in the last six months.

Mr Somerville: With respect, I am not sure that figure is accurate for February. We can get you the accurate figures, if you wish.

Mr Morin-Strom: You are not sure that there has been a major increase?

Mr Somerville: No. There has been an increase, but I am not sure the figures you are quoting are accurate. The lower-tier lot levy figure in Thornhill-Vaughan was closer to \$6,300 or \$6,400 in February. In Woodbridge, it was about \$4,500. It Maple it was, I believe, closer to \$5,000. They vary, as I said, between communities. I cannot really attest to the figures you have there as to February.

Mr Morin-Strom: One of the major concerns for people in the Metropolitan Toronto area is the high cost of housing, and certainly that is a very important concern of those of us who are in government here.

Mayor Jackson: May I speak to that point, though, because I think

this is something that has been open to debate for some time, just how do lot levies affect the cost of new homes. It would seem, certainly in our area, that it is the marketplace that is really setting the price of the new homes, not necessarily the cost involved. Therefore, we feel fairly confident that the cost of the levy is not necessarily reflected in the final price of the home because of market demands.

As I said, the other concern I have is for the affordability of being able to live in the community once you have bought your house. Our taxes, unfortunately, went up 18 per cent this year, which is a great concern to us.

Mr Morin-Strom: The point I wanted to ask about, though, is what are you doing to encourage the development of affordable homes in the town of Vaughan? Do you in fact have in place an exclusion for affordable homes which provides for no lot levies, a tiered lot levy system where there are no lot levies for affordable homes? Do you have a program in place to ensure that 25 per cent or some percentage of the housing construction in Vaughan is affordable housing?

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Mayor Jackson: We have never been approached with a proposal for affordable housing, so we have not as yet made a decision on the lot levy policies. We have never been approached with a proposal.

Mr Morin-Strom: Your council has never taken the position, "We should, on our own initiative, encourage or set aside an area for affordable housing in the town of Vaughan"?

Mayor Jackson: The town of Vaughan council has not taken a position on that.

Mr Cousens: I am pleased to be here for the presentation by Mayor Jackson and Mr Somerville from part of my former constituency.

I guess one of the things that comes through to me is the separate pot you have for your levies and the degree of accountability to those particular areas. How do you handle that? Would there not be competition from all over the place for those moneys?

Mayor Jackson: No, each community has its own pot.

Mr Cousens: I realize that.

<u>Mayor Jackson</u>: So the moneys for these new facilities within that community only come out of that pot. There is no a competition for those funds because it is separated out and kept separate.

Mr Cousens: Are you keeping pace then? The problem you have with the kind of dynamic growth you are going through is to pay for the municipal services you want. To what degree are the lot levies contributing towards those new facilities? To what degree do you have to dip into your general coffers or establish a debt? Maybe you could comment, as well, on to what degree Wintario is coming in to assist with any of the services you have.

Mayor Jackson: Not very much. We are not getting that much outside assistance. We did get some assistance with a library building in Maple and with a community centre in Maple. Other than that, we have received no funds from the provincial government for any of our recreational facilities.

We are always at that level where it is possible that we are not going to have sufficient funds to pay for a project. We are very close at all times. We never have a great source of funds sitting there waiting for a project. Usually, we have projects and we are just keeping our fingers crossed that the moneys will come in to pay for it. So we do have a concern about shortfalls, particularly in the Woodbridge area at the present time. That sort of thing does happen. It fluctuates, depending on the amount of growth we are getting.

Mr Somerville: May I just expand on that slightly. You asked about keeping pace and we are keeping pace. But that is why from time to time throughout a 10-year period you need adjustments to your levy. It is to keep pace with inflation, to keep pace with increasing costs. As I said in my earlier remarks, we have not significantly upped the level of service; we have kept pace. But notwithstanding keeping pace, we do have a substantial local—I think you called it lower-tier—lot levy.

On the pots, if I may, and I think this is important, when reference is made to the different pots, the pot we may be speaking of is the Thornhill-Vaughan community, a community of 75,000 people. We are looking at a community in Thornhill of 75,000 people, so it is a big pot. It has tremendous infrastructure and a lot of people.

Vaughan's growth is not necessarily a result of good management. It is a great place to live, but Toronto is full and we are feeling that effect. We are feeling the effect of people who are saying, "I want to move outside of the limits of Toronto; I want to move north of Steeles." They are coming into Thornhill, into Woodbridge and into Maple. We are in a case of not so much controlling what is happening as responding to what is happening. We believe we have responded quite well through the lot levy.

To answer your question specifically, yes, we are keeping pace. We have to up the levy to keep pace with inflation. Bill 20, with the changes that are being recommended to look at lot levies that allow for new growth infrastructure and leave it at that without saying that a bus is in or out, if the rolling stock for the first run at new growth is allowed to be maintained, if the integrity is there and the bill remains intact, we will be able to keep pace.

The only time we are going to get in trouble is if there are certain things now that the development community—I am talking now across Vaughan—has agreed to pay for out of documents like this, that it has been paying for, for 10 years—if the legislation says, "Okay, Mr Developer, you have paid for that for 10 years; thank you very much; rolling stock, new buses, new fire trucks are now going to be paid off the tax base," then there will be an impact and then we will not keep up for the simple reason that the fire truck or whatever, if justified, will have to come out of the taxes as opposed to the levies, where it is coming from now.

That in essence is one of our major concerns and why it is very difficult to make a formal presentation. We are concerned about the effect of the transfer of burden from the present existing development base to the residential tax base.

 $\underline{\text{Mr Haggerty}}\colon$ I was interested in your comments. You said the developer will pay it over a period of 10 years.

Mr Somerville: Has been paying over 10 years.

Mr Haggerty: That raises a question I am concerned about.

When you look at it here and you say the developer is paying for it, it is not the developer; it is the person who purchases that home. Has there been any cost analysis done on the old method of developing communities, doing it by local improvements and debenturing over a period of 20 years? I have some problems with what you are saying here now. I am talking about debenturing on the local improvements. It really goes on to the person who purchased the home. If I add that cost up here, \$300,000, and if you apply the educational lot levy, you are probably looking at maybe \$15,000 to \$20,000 that is charged on that property which the purchaser pays for.

Then you come in with the assessment. I think the assessment has been forgotten in this particular area. I find in the area I represent that persons who are building new homes have different assessment numbers, I guess you would call it, or the levy that is applied there, the policy or whatever criterion, on new homes. Really, when you look at it, I do not know how some of them are going to pay for this and pay the municipal taxes. I can assure you, from what you are telling me here, that the person who buys that new home is probably paying about three to four times as much as the average taxpayer within your structure. I am talking about the older sector now.

The Chairman: The question then is?

Mr Haggerty: When I look at it, talking about debenturing, the question is have you done any cost analysis in the area of doing it by local improvements and then reducing the cost? You may come down to affordable homes, hopefully.

Mr Somerville: I think it is fair to say at the outset that you start to struggle with the question of how you finance growth. Perhaps I can use the Thornhill-Vaughan example, basically a residential township community of 3,500 people, which has a planned population of 75,000, and within realistic terms of 10 to 15 years; right now, we are almost 50,000 people on that growth pattern.

When you look at local improvements, because of the way the legislation is structured, we just found it impractical, to be quite honest. The reason is that the major trunk services that were needed for the 75,000 people had to be put in first. There was no way the first subdivision was going to be able to front-end that in any way. So the only way we could front-end the community of 75,000 people was to say, "Okay, we will put the whole community into a pot," to use Mr Cousens's term. We say, "What is it going to cost to provide a reasonable, responsible level of service to that community?" We did that for water, sewers, storm sewers, storm sewer ponds, roads, recreation centres, libraries, right down to tennis courts.

We said: "This is the cost of developing a community of 75,000 people. How many units are going to be created for that 75,000 people?" It was estimated there would be somewhere in the neighbourhood of 22,000 units in Thornhill-Vaughan. That varies, quite honestly, as densities change or developers come in with new proposals, but the lot levy is a fairly simple mathematical calculation of saying: "It costs this to develop the community. There are this many units to develop and the lot levy is one divided by the other."

In our case, I have to speak directly, it is a very simple mathematical calculation. But with respect, the local improvement would have had us trying

to front-end finance on a subdivision-by-subdivision basis. That is where the difficulty came in because no one subdivision could have afforded the quite substantial costs of trunk sewers and major arterial roads that had to go in.

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So it was a conscious, I guess, and calculated decision made at that time and I thought I would come back to it, Mr Chairman, with the concurrence of the development community. In fact, we have an actual development agreement with the Thornhill—Vaughan developers. Keeping in mind—there were no people there at that time—it was agreed between the developer and the town, the Thornhill—Vaughan lot levy agreement, in which they agreed to pay the cost of new growth. The formula or the basis of paying that new growth was the Thornhill—Vaughan lot levy.

Mr Haggerty: In the area that I represent, and I used to sit on local council, we used to call that impost charges. They were used to cover for the additional oversizing of services, such as sewer trunk lines and water trunk lines.

Mr Somerville: Yes, you are quite right.

Mr Haggerty: But tell me, in this particular area, your lot levies then are well above what a developer is charging for those services he is putting in front of the places.

Mr Somerville: I am sorry?

Mr Haggerty: If he puts in storm sewers.

<u>Mr Somerville</u>: The developer does not pay for the major storm sewers. The developer pays for the major trunk servicing through the lot levy so, consequently, in terms of hard services, all the developer pays for are the costs internal to his subdivision because he has already paid in advance for his roads—

Mr Haggerty: That would include water lines?

Mr Somerville: Major water lines, sewers, roads.

Mr Haggerty: And the lot levies will develop that?

Mr Somerville: No, no, he paid it in his lot levies.

Mr Haggerty: Is it in?

Mr Somerville: It is all included.

Mr Haggerty: Does this apply to all of them who appear before the committee, would you say?

Mr Somerville: Yes.

Mr Haggerty: So that covers all the cost.

Mr Somerville: The total community of 75,000, in this case, so it makes the local improvements just a little cumbersome because you are dealing with a larger area; we are talking maybe four concessions, as opposed to a

subdivision of 200 to 300 houses. It was just brought about by the realities of the amounts of money needed to put in the major trunk services that were required to open up the land for development.

<u>Mayor Jackson</u>: Mr Chairman, there was another point Mr Haggerty made that I would like to respond to, and this is your concern that the lot levy does put up the cost of a new home. That has yet to be proven. We do not know.

Mr Haggerty: It is included in the cost.

Mayor Jackson: Yes, but a certain home will sell for a certain amount and within that is a lot levy. It is questionable whether that increases the cost of that home to that level or not.

Mr Ferraro: There has been no study done.

<u>Mayor Jackson</u>: There has been no study done on that, so that is an assumption that is directly reflected in the cost of the home. But if you did it the other way that was suggested by way of local improvement, or by way of putting it on the taxes of that new home owner, he definitely would be paying for it.

This way, there is a question that it could be absorbed into those, or taken out of the developers' profits. I think this is what we are concerned about, that young couple who has scraped together enough to buy a house, and then we have to hit them with heavy taxes, if that is what we must do. That is our concern.

The Chairman: I can assure you the assumption is not shared by all members of the committee.

Mr Polsinelli: A couple is going to have to save up a lot of money to buy a house in Vaughan.

Mayor Jackson: There are a lot of them who are.

Mr Polsinelli: Your worship, our figures show us that, as of 1987, the town of Vaughan had in its lot levy reserve fund \$22,507,660. Would you be able to tell us what that figure is today?

Mayor Jackson: We have our regional treasurer here today.

Mr Polsinelli: Can you tell me if that figure has increased or decreased?

Mr Somerville: I would suggest it has decreased, because what is not reflected, Mr Polsinelli, are the commitments against that fund. Yes, we may have a certain amount in the development fund or the development fund for each of the communities—to use Mr Cousens's phrase, "the pots"—but we also have commitments against that. If a tender is issued for a trunk sewer, or if a contract is issued, we pay it out of the fund over periods of the contract.

I guess the only way I could tell you the accuracy of it would be to determine the amount that was in the fund, the commitments against the fund and the net available balance. Right now the net available balance is in the order of \$4 million to \$5 million.

Mr Polsinelli: Can you tell me what this money is used for?

Mr Somerville: The money in the lot levy? Okay. Are you ready?

Mr Polsinelli: I am ready.

 $\underline{\mathsf{Mr}\ \mathsf{Somerville}} \colon \mathsf{Very}\ \mathsf{briefly},\ \mathsf{trunk}\ \mathsf{sewers},\ \mathsf{storm}\ \mathsf{sewers}\ \mathsf{for}\ \mathsf{the}\ \mathsf{community}.$

Mr Polsinelli: Existing?

Mr Somerville: No, not existing, it is all totally for new development.

Mr Polsinelli: So what you are doing is collecting lot levies from subdivision A—

Mr Somerville: New development.

Mr Somerville: Within the same community. Within Thornhill-Vaughan or within Woodbridge, if you wish, or within Maple, but not across town.

Mr Polsinelli: So you are using money collected from subdivision A in Thornhill-Vaughan to develop subdivision B in Thornhill-Vaughan.

 $\underline{\text{Mr Somerville}}\colon No$, I am sorry, sir. What we are using—maybe if I run down the list it might help.

Mayor Jackson: No, I think I know a better way of explaining it. We look at the total mileage, let's say, of storm sewers that are needed in an area. That total mileage of storm sewers is divided among all of those developments that will require that storm sewer and all of those lots that are served by that storm sewer, so it is definitely use-related.

Mr Polsinelli: Okay, what else is it used for?

Mr Somerville: Trunk sewers; water; arterial roads; storm ponds, if there are any; sanitary sewage distribution systems, and in the case of Kleinburg there will be a plant; recreation services. That can include recreation complexes; skating rinks, as you mentioned; gymnasiums. It is also used for fire protection, new-growth-related fire trucks. It is used for libraries and the purchase of library books the first time around. As Mayor Jackson has said, all the replacements come out of taxes or reserve funds. There are no replacements of equipment or any levy figures that come out of the levies. It is the first-time go.

Those are sort of the general purposes: recreation, libraries, fire protection. Oh, I am sorry; transit is another big one. Because of the growth in the breadth and width of Vaughan, we require transit. We require public works services. We require snow plows. We require these things.

Mr Polsinelli: I guess the thing I am having trouble with is the location in which this money is used. When you say that it is limited to a particular community, how wide are the geographical limits of that community?

Mayor Jackson: In the development area of the Woodbridge community, the lot levies are collected within that to pay for facilities within that

Woodbridge community, and within the Thornhill community and Maple and Kleinburg.

Mr Somerville: Perhaps in one thing maybe I neglected to say is that in the community—and this might help you—the lot levies are related to a planned community. In other words, the area for which we levy our lot levy is an OP, is a formal, official plan amendment area. Consequently, there is nothing that goes—we have an OP for Thornhill-Vaughan, for instance. It is probably four concessions. It is 75,000 people. It is how many thousand acres.

Consequently, we use that OP. That is the first legal step. Maybe I was in error in missing that, but that is the first legal step in our levy. Then we say, "What does it take to develop that levy," and then we break the costs down and we attribute over back to the number of units and it is all mathematical.

Mr Polsinelli: Thank you.

The Chairman: Thank you very much. I thank you for your total presentation. It is very valuable and your experience is obviously invaluable to us as we try to formulate the rules for the whole province.

Mayor Jackson: Thank you, and we do appreciate your time.

The Chairman: Moving back to the regional municipality of York, we have Kelly Cerswell, who is the regional treasurer. There is a new brief being distributed to you, based on the financial impact of the bill. Perhaps you could lead us through your brief, Mrs Cerswell.

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REGIONAL MUNICIPALITY OF YORK

 $\underline{\mathsf{Mrs}\ \mathsf{Cerswell}}\colon \mathsf{Mr}\ \mathsf{Chairman},\ \mathsf{members},\ \mathsf{ladies}\ \mathsf{and}\ \mathsf{gentlemen},\ \mathsf{thank}\ \mathsf{you}\ \mathsf{very}\ \mathsf{much}.$

The Chairman: Could we have a little order.

Mrs Cerswell: As an introduction and before we get into this document before you, I would like briefly to thank you and say that I hope I do not duplicate many of the comments, but invariably there will be a lot of duplication. The regional treasurers have met and concurred on many issues, as have the regional solicitors. Of course I am well aware of our regional solicitor's document and will endeavour to elaborate and show you the financial impact of his comments.

To give us a brief overview, the region of York, like Peel, is going to be projecting about a 400,000-person population growth to the year 2011. We have been increasing at the rate of 25,000 persons per annum, and we are projected to increase at a rate of another 20,000 per year for the next 20 years on a smaller base than Peel's. Therefore, it is tenuous for us to handle growth and it is very important that we maintain our costing and finance plans carefully.

Our population growth in the last five years has been about 44 per cent. Our assessment growth has been about 66 per cent, which is somewhat indicative of what has happened to costs. Operating expenditures have increased. In the body of this report you will find that the total operating expenditures have

increased 111 per cent; the provincial operating grants on those operating expenditures in 1983 were 25 per cent of those expenditures and now they are 20 per cent. We have increased our capital expenditures by 169 per cent up to \$157 million in 1988. The provincial capital grants have gone from \$10 million to \$23 million in the last five years and from a 17 per cent contribution down to a 15 per cent contribution.

We have had to find alternative sources of financing. Some of the information that will not be given in this financial impact document will be those calculations and quantifications of the costs we have very little control over. For example, it has been proposed by the regional solicitor of York that the number of appeals to the Ontario Municipal Board will increase. That has a multifold implication. It means that housing costs could go up because developers are paying lawyers, that the municipal taxpayer will be paying lawyers' fees in the municipal tax bills to defend our development charge and that the OMB will be busier.

Although I will not get into part 3 and do any implication analysis here, I just want to mention that the school board's cost of land for schools may increase, as it has been mentioned that developers are becoming more reticent to negotiate at a cost lower than market. This compounds the increase to municipal taxpayers of the provincial grant reduction from 75 per cent to 60 per cent.

To the area municipalities and the regional municipality of York there is an increase implied in administration costs to area municipalities. This is something alluded to by the solicitor. He explained the way we collect our levies—it is very simple—and I have assurance from every single area municipal treasurer; all nine of them have agreed 100 per cent that they do not want to collect our lot levies. They want us to collect them. To change that procedure is disagreeable to them and to us and we agree.

We have found that the collection system allows us a certain cash flow if we are collecting it before the building permit is issued. That cash flow may or may not allow us interest charges, interest costs and income, but that is not the consideration as much as we are allowed to proceed with providing the services at an earlier time. If our cash flow is tardier, then we will have to delay servicing.

As far as development charges themselves go, there have been comments that the region of York has just increased their development charges, the region of Peel has just increased their development charges. I will go into a brief dissertation on how we currently evaluate our development charges on the premise, the same as the town of Vaughan, that we will have to defend it. The way we have collected information is on long-term forecasts of road, sewer and water expenditures and all other expenditures for which we are going to make a commitment, such as hospitals. We take those total costs—we are up to the 2001 period in our last review—and we merely spread those costs as a uniform, single levy on development. We do modify it somewhat, which is not mentioned in Bill 20, to reflect that the density of a single unit residence would be slightly different than in an apartment, so the development charge would be increased for a single residential unit rather than an apartment.

The initial impact, I believe, of Bill 20, would be to increase development charges. I know not what the percentage would be, but the consideration of myself and other regional treasurers, and certainly the area municipal treasurers, would be that there is an uncertainty about net capital costs. We know not what the provincial funding will be and we have just had

our unconditional grants frozen. I have shown you that the provincial grants in both areas, operating and capital, being conditional grants as well, have been reduced over the years as a component of our total expenditures. Therefore, this uncertainty would be reflected in perhaps a conservativeness of our calculation. In other words, we would not want to collect less than we think will be appropriate, being the very conservative breed we are.

Second, in Bill 20 it says that the OMB can only reduce charges. If they are going to reduce the charges we may have to somehow build in some way of making sure that if they do reduce them we have put in enough in the beginning—again, conservatism. We would go to the side of conservatism where we have a choice.

 $\underline{\text{Mr Ferraro}}$: Would you rephrase that? You are not making any points. I was just being facetious.

Mr Cousens: Three out of four ridings are Liberal.

<u>Mrs Cerswell</u>: Now we approach the financial implications of the report. The introduction has been expressed in many different ways by many different people. I will not go over it again. This submission, as contained, deals with section 1, capital cost, as it is defined in Bill 20 and also the interpretation of subsection 3(1) that you were discussing a few moments ago with the regional solicitor; also the regulations, which now exclude hospitals as part of the calculation of development charges.

If we were to look at the table on page 3, we have listed all the different municipalities for you and shown you, in thousands of dollars, what the application of section 1 and the regulations would have done to the funding of capital, growth-related expenditures. In Aurora in 1988, \$307,000 more would have had to be financed than was financed by development charges. In 1989 the budget, as passed by their council, showed that \$864,400 was going to be funded by development charges.

If we went across Aurora still and used the application of section 1 and the regulation for hospitals, although Aurora does not have a hospital development charge incorporated, plus this subsection 3(1) interpretation that directly relates hard services, that is, we can only use development charges now for hard services, the soft services are excluded, all of a sudden there is a dramatic increase. In 1988, \$800,000 would have had to be raised other than by development charges, and in 1989, \$8,423,000.

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I would like to clarify these numbers. These are budgeted on a project basis. That means there could be inclusion of a project that would extend over several years. Therefore, that would not be an annual expense. That could include projects that might take two or three years. But these are amounts that have been put in their budgets, and as such they go to the Ontario Municipal Board for approval when there is debenturing involved.

Going on down the line, I will not detail each one, but the average for 1988 and 1989 of funding that would have to be raised other than by development charges would have been about \$26.5 million, using application of section 1 and the regulations. That is just excluding vehicles, rolling stock, inventory, furniture, etc, and the hospital.

Application of section 1, the regulations and section 3, which now

relates all development charges to specific land: As discussed previously, the average of those two years would result in over \$140 million having to be funded otherwise than through development charges.

Looking at the terms of percentage of the existing levies of all the municipalities on the next page, we can see that in the case of Aurora, application of section 1, the regulations and section 3 in 1989 would result in another 137 per cent funding having to be raised if they cannot use development charges.

I do not want to belabour this. I think you can see that these figures indicate that we depend on development charges very heavily, and that if section 3 were to be left and interpreted in the loose fashion in which they had discussed it—that development charges are for hard services only, not for soft—then there would be a great deal of consternation in financing plans.

Tables 1 through 10 show the collection of figures for all the municipalities. At the bottom, it shows the tax levy and percentage; these are the numbers that back up the tables you have just looked at.

Finally, page 16, financial trends: I have told you that the region of York has grown by a tremendous amount. I believe the regional solicitor also presented the fact that 25 per cent of the Ontario growth has come to the region of York.

I have shown how the operating expenditures have increased and that the provincial budgets have gone down. Some of the figures on page 19 will show you the population increase; York compared to the greater Toronto area and compared to Ontario. We are in a dramatic growth area.

On page 20, figure 2 shows the capital and operating expenditures, which have gone up since 1983. Figure 3 indicates the provincial operating grants, which have deteriorated as a percentage of our operating expenditures.

On page 21, figure 4 indicates that provincial capital grants have deteriorated as a percentage of capital expenditures.

Before we look at figure 5, I want to discuss briefly the debt capacity. This has been the subject of a great deal of debate ever since the provincial Treasurer (Mr R. F. Nixon) said that the regions appear to have a great deal of capacity. It has been the policy of regional council over the past years and since the incorporation in 1971 of the region to pay as you go rather than debenture. Now with the tremendous growth, we are finding that we are having to debenture. When we do a calculation, using the 1989 requests that have been submitted by the municipalities, we find that our debenture ratio—that is, the debenture annual charges, principal and interest, of our total operating expenditures combined—will now be 19.1 per cent.

To get that combined figure, you will see on page 18, under 1989 you have some that exceed the guideline of 20 per cent, in particular Vaughan. Vaughan has large growth, as has already been indicated, and 45 per cent of its expenditures would be used for debt principal and interest annual charges if it were to debenture what it has as requests and OMB approvals to date. So what we are looking at is the caveat: 1989 quota requests are presently under consideration by the regional council and they have not been submitted to the OMB at this time.

To reflect those debt capacities, figure 5 indicates the current and

OMB-approved debt. In 1983, current and OMB-approved debt represents \$80.4 million. In 1988, that figure has gone up to almost \$186 million.

Finally, figure 6, the debt capacity: As the table indicates, under the guidelines set by the OMB of 20 per cent, we would be up to 19.1.

In summary, we feel very strongly, after meeting with all the area municipalities and the regional council and their treasurers and representatives of their councils, that the Development Charges Act, as provided, would be improved with some changes: that section 1, which limits rolling stock and equipment should be revised, as these are definitely capital costs related to growth; that subsection 3(1) should be reworded as suggested by the regional solicitor so that the land-related use does not put us down into a site-specific calculation and eliminate the uniform application of our development charge.

The town of Vaughan was referring to, on the summary page, a calculation we had done of the 1980, 1985 and 1989 percentage of lot levy or development charge to the price of housing. The percentages we have here reflect the regional development charge combined with the area municipality development charge and are applied to the costs that were given to us applied by Remax. They have given us an average market price.

As you can see in the instance of Vaughan, that percentage has gone down as a percentage of the cost of the house. Just to give you a brief example, if you had a home that cost \$100,000 and the lot levy was 10 per cent, it would be \$10,000. If you then had a home that was \$150,000 and the lot levy was still 10 per cent, the home has increased by \$50,000 and the lot levy has increased by \$5,000. So there is a fair difference in the cost of the house and the price of the house.

I open it now for any questions that I might be able to answer.

Mr McCaque: I notice that the municipalities do not levy for hospital purposes but the region does. I do not understand your table 10 on page 15. Does that mean that for hospitals you spent \$5 million and you collected \$5 million through development charges in 1988?

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 $\underline{\mathsf{Mrs}\ \mathsf{Cerswell}}\colon \mathsf{Although}\ \mathsf{we}\ \mathsf{may}\ \mathsf{have}\ \mathsf{collected}\ \mathsf{more}\ \mathsf{or}\ \mathsf{less}\ \mathsf{than}\ \5 million, we indeed spent \$5 million.

Mr McCague: Then it went up to spending \$10.75 million in 1989?

Mrs Cerswell: Correct.

Mr McCague: And you presume to get \$7 million through lot levies?

Mrs Cerswell: There is the premise behind this that our commitment from development charges will be the same as the growth element of that hospital. For example, if the growth has been 65 per cent, then we would fund 65 per cent of the expenditure from development charges. The reason the figures are the same is that we had previously funded hospital grants from the operating funds, the revenue fund statement, the tax—

Mr McCague: How long have you had lot levies in the region of York for hospital purposes?

Mrs Cerswell: In 1979, we introduced lot levies. In 1985, it was broken down into various components to include the hospitals.

Mr McCague: You might forward to us later a total of the amounts of money that have been collected through lot levies and forwarded to hospitals for their expansion. As a committee, I think we want to look at whether lot levies should be allowed for hospital purposes.

Mrs Cerswell: May I add a comment? We have built into the development charge the forecast of the number of beds that will be required and we have incorporated that amount into the development charge. That forecast is up to the year 2001, so the amount we are forecasting to collect will be a number we can give you, if you would like that forwarded.

The Chairman: You would like hospitals in. Do you know of many municipalities that would not?

 $\underline{\mathsf{Mrs}\ \mathsf{Cerswell}}\colon \mathsf{The\ region\ of\ \mathsf{Peel\ does}}$, Halton and Haldimand. The only one that I know does not is Durham.

The Chairman: But do you know of any municipalities that would not want to include hospitals?

 $\underline{\mathsf{Mrs}\ \mathsf{Cerswell}}\colon \mathsf{No}$, I do not at this time. There has been no objection to that.

Mr Polsinelli: Mrs Cerswell, could you turn to page 22 and explain figure 6 to me?

Mrs Cerswell: I would be delighted. Debt capacity ratio: The guideline is set by the OMB. They say you should spend no more than 20 per cent of your total operating expenditures on debt payments, that is, payments of principal and interest.

Principal and interest for the area municipalities must include consideration of the hydros, because we are joint and severally liable for the hydro debt. As a composite, this includes the hydro debt, as we are liable for it. It shows that in 1984, we were up to a debt capacity of 10.4, comprising existing debt charges, that is, actual payments; outstanding OMB approvals, that is, approvals from the Ontario Municipal Board that had not yet been debentured; and on top of that, the quotas or the requests that we were going to make in that year.

Mr Tassonyi: Can you explain how you came to the average? What did you weight the individual quotas by, or did you just take the total of all current operating expenditures?

Mrs Cerswell: We took a grand total.

Mr Tassonyi: You just took the grand total: the whole of the quota and the debt load and divided it by the grand total of the—

Mrs Cerswell: The table on page 18 reflects the individual municipalities, and York is set there individually as well.

Mr Polsinelli: Before you continue, I would like to repeat that to make sure I understood it. You took the operating expenses of all component municipalities within the region plus the operating expenses of hydro?

Mrs Cerswell: No, we did not.

Mr Polsinelli: Why? You added their debt, but you did not take their operating expenses.

Mrs Cerswell: Fair enough. When you get to the Ontario Municipal Board and their capacity, it does not quantify, but it considers hydro's total expenditures when they are looking at the area municipality's capacity.

Mr Polsinelli: If you were to exclude the hydro debt, what would that figure be? Alternatively, if you were to add hydro's operating expenditures in terms of reaching the calculation, how would those figures change?

Mrs Cerswell: Two factors: If you were to add the hydro operating expenditure, obviously that ratio would decrease.

Mr Polsinelli: How much?

Mrs Cerswell: I am not sure, because it is not a calculation that even the OMB uses, because we are liable for that debt. They look at it, they do not quantify it, and as far as the role of the OMB in determining whether or not a hydro debenture can proceed is concerned, I will not attempt to tell you that.

Mr Tassonyi: May I interject? Do you have any sense of the proportion of hydro debt relative to, say, York's own debt or the area municipalities' and York's debt?

Mrs Cerswell: No, I have not. I have not the figures separated here
with me. I do have the figures separated, but I would not—

Mr Polsinelli: Is there a separate hydro commission up there?

Mrs Cerswell: There are several: Aurora, Vaughan, Markham, Richmond Hill and Newmarket.

The Chairman: You say you have those available but not with you? I wonder if you could supply the committee with them. It might be of some help.

Mrs Cerswell: Yes, I will.

Mr Polsinelli: Is it that the OMB would not approve a figure over 20 per cent irrespective of what the hydro figure was? Or is the hydro figure something they take into consideration, and may allow something over 20 per cent if, say, that figure is disproportionately high compared to the debt that the actual municipality is carrying?

Mrs Cerswell: The role of the OMB has been the subject of much discussion. For me to predict what they will do would be very difficult. What I can tell you is that currently, with our growth, they will probably allow us to go over 20 per cent if we really have to, because in one of their small booklets, they have—they used to, anyway—that if you were a rapidly growing area or in special circumstances, they would consider increasing this ratio to 25 per cent. I am not sure if that still holds, although it is in one of their pamphlets.

Mr Polsinelli: Maybe you can go back, then. What is that 20 per cent

ratio? Is that a guideline that is established by the OMB or is it a statutory quideline?

Mrs Cerswell: It is a guideline only. It is not statutory.

Mr Polsinelli: By the OMB.

Mrs Cerswell: Yes.

 $\underline{\text{Mr Polsinelli}}\colon So \ \text{it} \ \text{is reasonable that they would take into consideration the size of the hydro debt compared to the debt of the municipality.}$

Mrs Cerswell: Yes.

Mr Polsinelli: Therefore it is imperative that we have the hydro debt figures in terms of analysing, at least for this table, the debt capacity of the region.

Mrs Cerswell: I can give you the figure that would show you what these ratios would be without the hydro debt.

Mr Polsinelli: I would appreciate it.

Mr Cousens: I thank the region of York for a thoughtful presentation. I like the way you gave suggestions, as far as coming up with ways of how we can come up with recommendations that will solve the problem is concerned.

I am interested in knowing how strongly supportive the region was of your proposals and recommendations. Could you say the regional council was unanimous in support of what you have said? Is it just a few people who are saying it? To what degree is this a strongly held viewpoint of the region of York?

Mrs Cerswell: Several of the area municipalities will be coming before you, as I have understood it, and I have heard no objections to any of the comments that have been discussed. I do not believe that any of the comments I have made today have not been discussed previously.

Mr Cousens: I think that is the case, too. Certainly the presentation we have had reflects accurately some of the feelings I have heard expressed by different mayors and people in the region. I think it has been well done.

Mr Polsinelli: Mr Chairman, Mr Reycraft has a supplementary.

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Mr Reycraft: I was hoping Mr Polsinelli could answer my question, but he has not been able to, so I will have to put the question to Mrs Cerswell. It is in reference to the chart on page 22 again. I am curious about why the chart for 1984, for example, shows a certain amount as being outstanding OMB approvals and another amount as being OMB quota requests. Are those figures as they existed in 1984, or do they reflect what the debt was in that year?

Mrs Cerswell: No, those figures were as they stood in 1984. The debt

charges were actual debt charges of the year. The OMB approvals had already been made before the end of 1984. In other words, the OMB had been applied to for approval for certain debentures and had agreed. The requests were being forwarded or at least forecast in 1984 by the various municipalities and were included in their forecasts for that year.

Mr Polsinelli: But would you not know whether they were approved or declined? I guess the question is why you are still showing them as requests.

Mrs Cerswell: The actual projects would not be identical, but there would be a process of these being debentured and retired and moving into that bracket of OMB approvals or even carried forward and not requested until a later year. But usually there is a turnover so that the requests change. They are specific requests. They are dollar values with projects. Again, I qualify that projects can be of a term longer than a year.

The Chairman: We will let you briefly exit from the hot seat now. Thank you very much for your help. Again, the background that your community has had in this area is extremely helpful to the committee.

We now have a couple of private citizens who have submissions they wish to make. First is Sandy Levin and his brief is in front of the committee members. Mr Levin, have a seat, please, and perhaps just lead us through it.

SANDY LEVIN

Mr Levin: I want to thank the members of the committee for taking the time during the summer to meet. I am not going to throw around a lot of numbers. I am going to be relatively brief and give more of the human side of it.

This whole bill has a very interesting impact for me as a teacher in York region. I perhaps should be in favour of it. Region schools are bursting at the seams. Boards of education are strapped for funds to accommodate growth. In fact, our administration encouraged us to contact our MPPs and express our support for the bill.

It seems to be that Bill 20 is something that is necessary for York and the other growing regions around Metropolitan Toronto, although I might ask rhetorically, are there other areas outside the Golden Horseshoe interested in this bill? However, there seems to be a side that is being ignored in this argument. Unfortunately, I think it has been ignored by the municipal governments as well as the province.

I am speaking of housing for what was known as the traditional middle class. Over the past five years the municipal governments in York region—I am sorry they did not stay—with the co-operation and the encouragement of the development industry, I might add, have encouraged the building of new housing for the second—time and third—time buyer. They campaigned in the recent municipal elections on a platform of continuing that agenda, effectively locking out first—time buyers. I would like Mayor Jackson to introduce me to some of these young couples she mentioned in her submission who are buyers for the first time in York region.

The building of rental accommodation has also been discouraged. Now, despite the fact that the region cannot attract teachers to its schools because it is impossible for a family of two first—year teachers to afford to live in the region where they teach, it seems that the municipal governments

and the school boards are urging you to reward their restrictive policies by making it even more costly to buy a new home. Of course, those currently in recently built homes would be spared this tax and will likely find that their own property tax will rise more slowly. It seems that not only do the winners write the history, they also tax the losers.

In addition, please do not lose sight of the fact that new home prices are already scheduled to rise with Mr Wilson's goods and services tax, his rebate having no effect in York region where the average price of a new home is already fairly close to that \$400,000 ceiling anyway. Let's not forget simple economics, that if the price of a new house increases because of the tax and because of the bill, the price of existing housing will also increase, thus resulting in a permanent group of people who cannot afford to own their own home.

I really am not talking about people who are recipients of public assistance by any means. As I said, these are the traditional middle class: firefighters, garbage men, police officers, teachers, nurses, all the other necessary public servants who are unable to buy a house in the communities they serve and therefore are unable to become part of that community.

What is lost when a teacher or a police officer or a civil servant is not a member of the community he or she serves? Are those people's interests your interests? Will their values be your values? Their children will not be in your schools. They will not be in your community centres.

Those communities will be worse off, if not today then in the very near future, because this malaise will not ignore your ridings, gentlemen. I think it is already starting in Guelph. Mr Ferraro might be able to help you with that. Mr Cooke, how is Kitchener?

May I quote Adam Zimmerman, the chairman of Noranda Forest Inc, who said of Toronto politicians, and I might add that he should have added Vaughan politicians and perhaps some politicians here: "They might all try searching for decent living quarters within a reasonable distance from downtown affordable on a \$30,000 salary. Then they would discuss the ultimate question: Whose city is this and at what point does the individual citizen's interests outweigh those of the"—Mr Zimmerman used the word—"exploiters?"

Mr Sweeney, the new Minister of Housing, recently asked: "What kind of a society, what kind of economy have we structured where we"—I guess the province—"are to say to thousands upon thousands of families in the province: 'Sorry, folks, you're out of luck. We cut you out of the system'?" He said this less than a week ago at the meeting of the Association of Municipalities of Ontario.

Bill 20 may mean more money for the municipal services and schools, but it is not in the best interests of enough people in Ontario. If this bill must go through, I urge you to fully exempt residential housing from it. It is a regressive piece of legislation from the point of view of housing for the traditional people of this province. Thank you.

The Chairman: Thank you very much. Your arguments were very well put. I might indicate that Mr Ferraro had an engagement at a quarter to four; that was the only reason he left the meeting. Are there any questions?

Mr Morin-Strom: Thank you for your presentation. I think it is an excellent one and certainly contrasts with the kind of testimony we have heard

from some of the regional municipalities around the city of Toronto, in particular the testimony we heard from the mayor of the town of Vaughan. She stated quite clearly that their community is not in the least interested in affordable housing, they have never been approached by the development industry to develop affordable housing and they, as a council, have never addressed the issue of whether any part of their community should be designated for affordable housing.

I would think that perhaps one of the things at the least that we should be looking at here is that if the government has a policy that every community is going to have a certain percentage of affordable housing, at least a percentage if not all affordable housing, the councils of those communities should be made to designate portions of their communities in terms of their planning as areas for affordable housing and ensure that they are exempted from having the charges of lot levies for those housing developments in their communities. The government is not going to impose it. I do not think we have seen any evidence from some of the wealthier town councils that they are going to take any initiatives.

The Chairman: The present situation is that in the bill, as I understand it, we have left this in the hands of the municipalities to structure their own bylaws. You are saying what, Mr Morin-Strom, that we should in fact, say, force the town of Vaughan to—

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Mr Morin-Strom: To structure—presumably the government is going to proceed despite the opposition that you may see from the opposition parties, but if you are going to proceed with lot levies, we should ensure that the lot levies are calculated on a basis that would ensure that certain percentages of the lots are set aside with no lot levies being applied to them so that those areas would have the greatest assurance of being able to have affordable housing in them.

The Chairman: I see. Mr Levin, you live in the region of York.

 $\underline{\text{Mr Levin}}$: No, I cannot afford it. I work there and I have to tell the students whom I teach that it is unlikely that they will ever be able to afford to live there either.

Mr Jackson: That is positive modelling for you.

The Chairman: Unless they can inherit their parents' homes.

Mr Levin: Even in that case, I almost suggest to them that they should hope that their parents split up and buy two houses so that if there are two children in the family they will have—

Mr Jackson: Give me a break.

Mr Levin: Certainly I do not advance that to my students, but the situation is that one house is not enough of an inheritance for a family with two children these days, because the parents certainly need accommodation.

The Chairman: I was being facetious. That is certainly not a solution to the problem.

Mr Jackson: We do have entrepreneurial studies in our schools now,

and that is every additional opportunity that we can provide in our school system to encourage that initiative to go out there and earn and raise through creative means enough money to pay for these exorbitant houses.

Mr Mackenzie: My concern, I guess, is that we really got told, whether it was inadvertent or not, who is calling the shots, when the answer to the question was that there had never been a request from the development industry to build low—income housing. I found that appalling, although I did not figure it was worth challenging at the time. I am wondering what your reaction is—

The Chairman: I thought you said there had never been a request, period, but maybe you would read that into it; I do not know.

Mr Mackenzie: My question to you is, what is your reaction to lot levies? Is it your opinion that the ultimate payer will be the purchaser of the home?

Mr Levin: My impression really is that it is a means by which the existing taxpayer does not pay as much as the person who is coming into the region in the sense that those who got in first and who have will find that their taxes increase more slowly because the big chunk of the taxes is going to come from the new people.

Let me point out an example. A teacher friend of mine who lives in the region visited Nassau county in New York and found that the taxes there on a relatively modest home are over \$6,000 a year and that the taxes are increased for every improvement that is made. If they put in a swimming pool, there is an additional tax burden laid on that. In York region, when this particular teacher put in her pool, there were no additional taxes for that.

Mr Jackson: Do you have a name and address you would like to share with the committee?

Mr Tassonyi: I am sure that the assessment commission for the region of York would be interested in that.

Mr Levin: My interpretation is that the people who are there are asking the people who are coming in, who are burdening the system, be it the school or the sewage system, they are the ones who should be paying the greater chunk, not the people who have already been there. To me, that just makes it more difficult for people who want to be able to live within a distance of Toronto where the jobs still are, unfortunately or fortunately, to be able to live in areas that are within reasonable commuting distance and at a reasonable distance from the facilities that the city of Toronto can offer; that it is not a matter of uprooting entirely and moving to the more distant regions, which would be a positive move, by all means, if the economic growth were there as well, but it is still here in Toronto. We are asking people to take an hour and a half or two hours to come to work. It gets worse and worse.

I grew up in Chicago, as an aside. The city of Chicago is progressing very much like Toronto now in that people exited from the cities and are out in the suburbs. The industry followed them, leaving the core of the city to a relatively affluent group on the lakeshore and a relatively poor group on the west and south sides who do not have the access to the jobs because the transit system does not allow them to get up to the suburbs. I am just wondering, as Mr Sweeney said and as Mr Zimmerman said, what is going to happen if we keep making it more and more expensive.

We are not talking about people from the Jane—Finch area, as some people in the real estate industry like to spread the rumour, which sounds very much like the city of Chicago where they went into the neighbourhoods and said: "You'd better sell. You know who's coming into the neighbourhood." We are talking about teachers, police officers, people in planning departments, treasurers, people who cannot afford to live in the areas that they work in. I think we have missed something when that starts to happen.

Mr Jackson: Very briefly, the development industry came forward with the thesis that this lot levy discriminates. It discriminates because not all people who come into a community to acquire a home do so by buying a brand-new homes; many of them buy resale homes. They went on to suggest several things about how the school board could get access to that. They did suggest, however, that the lot levy should be collected as a closing cost so that citizens realized that this is a development charge as a tax to reflect the imposition that their moving to that community would give them. I am just conveying the concept to you.

Would you see some merit in a process which says that if you were living in the community, had bought and sold houses in the community, stayed in the community, paid your services, your basic thesis, you should not have to pay that development charge but someone who is moving in from out of town should pay that charge? It is not a point of discrimination, because we are already discriminating on the basis that people who buy new homes are contributing to growth as opposed to—the point of discrimination has already been entrenched in the principles of this bill. It is not a universal application.

You do not have to answer. I just thought I would articulate out loud some of your concerns and how some other groups had suggested we deal with it. But it disturbs me that we have a situation that not everybody who buys a brand-new home in a community is in fact someone who has moved from outside the community into the community and is about to now impact that community in what we are told—growth—is in a negative way, very expensive, etc.

Mr Levin: You mean despite the fact that everybody seems to be saying that growth is negative, there seems to be an encouragement: "Let's tear up the farm land in Vaughan and York region and put houses on it." If you want to discourage growth, do not put up the houses. We need the housing; there is no question about that.

The Chairman: Mr Levin, your presentation is obviously very sincere. You have hit to the heart of a lot of concern I think many of us have on the housing problem in the area around the Golden Horseshoe and through to Waterloo region. If you stick around for a few minutes, I think you are going to hear the continuation of that debate. Waterloo County Board of Education is coming on right after the next presenter. I appreciate your taking the time to put together a brief and I appreciate your coming here today.

Next we have Michael McCrosson, who has also prepared a brief letter with some accompanying documents which the committee members have in front of them. Mr McCrosson, welcome.

MICHAEL McCROSSON

Mr McCrosson: Mr Chairman, I would like to thank you for the privilege of appearing before your committee today. A little introduction of myself: My name is Michael McCrosson and I live in Hornepayne, which is a small community 650 miles north of Toronto. I have lived there for 58 years,

except for the four years I was in the Canadian Army overseas during the Second World War. I retired in 1977 on a disability pension from the Canadian National Railway. It is a nonindexed disability pension, and presently I am paying 20 per cent of my disability pension into the Hornepayne municipal coffers in municipal taxes, and I am not happy with this.

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Just glancing through Bill 20, it really does not address my problem, because our problem in the north is with organized and unorganized townships, something that does not happen in southern Ontario. I think the legislation in Bill 20 really is not included in the situation. When I explain our situation in the north, I think you will understand it.

It is a problem that previous Conservative governments have failed to correct. There are some people who live inside an imaginary line on a township and there are some people who live just outside of the township. To give you an example, this law is ridiculous and antiquated. My camp is a small building, accessible by water four months of the year.

The Chairman: You have given us a map. Is it on there?

Mr McCrosson: Yes, sir. I happen to be in the township. I pay \$450 a year in municipal taxes; yet one mile down the same body of water, there is a subdivision and on this subdivision are large, palatial homes, fully serviced, with year-round roads, Ontario Hydro, running water, toilets, Bell telephone, etc, and they only pay \$26 a year to the Ontario government. Incidentally, four of the owners of these homes are millionaires.

They are permanent homes but deeded as summer resort, the same as my property. It is not that the citizens are at fault. Their property is deeded summer resort but they are permitted to live there in these buildings year round, because the laws have not been changed to keep up with the times.

The Chairman: What township are they in, that they get such a good break?

Mr McCrosson: On my map, sir, you will see that this one subdivision is in the township of Hornepayne. Then, right on the township boundary, they are in the township of Lessard. Lessard is an unorganized township; as a result, these homes in an unorganized township only pay \$26 dollars a year in taxes to the Ontario government. Yet the town of Hornepayne has the privilege of maintaining these roads year round. That money comes from the taxpayers of the township of Hornepayne.

People are getting much more intelligent. They are living just outside of the township boundaries. They pay taxes of \$25 a year but enjoy all the benefits and service provided by the municipal taxes, and employment, etc, provided by the township of Hornepayne.

We also have a situation that is unique. We have five members on the council in the township of Hornepayne. Three of these members, including the reeve, own property just outside the township. As a result, they are reluctant to change the existing rules, because they suit them. They are only paying \$26 a year, whereas I am just a mile down the lake and I am paying \$450 a year and I am accessible by water only.

The Chairman: Mr McCrosson, there are two things going through my

mind. Looking at your map, I am wondering if you could suggest to the township of Hornepayne that they might want to close the roads just before they get to the border unless there is some new arrangement made with the township of Lessard, but I do not know whether that can be done.

Mr McCrosson: The township of Lessard is unorganized territory.

The Chairman: The other thing is that the office of the Attorney General and the Ministry of Municipal Affairs are organizing task forces now looking at situations like this. Maybe Mr Tassonyi can talk to you and clue you in to some of those forces; perhaps they can look at this particular problem. I do not know.

 $\underline{\text{Mr McCrosson}}\colon \text{Fine. I am open for any suggestion, but I just thought I would bring to the attention of your committee what transpires up in the boonies.}$

The Chairman: I appreciate that.

<u>Mr McCrosson</u>: As I say, we have the problem that the council members own these properties outside the boundary, and naturally nobody wants to get involved with new taxes or new rules.

The Chairman: You provided us, or someone has, with a copy of the letter from Mr Eakins, who was then the Minister of Municipal Affairs, written on 12 May to Bud Wildman. The letter includes the comment that the Sudbury field office agreed to contact you within the next three to four weeks, prior to a scheduled visit to Hornepayne. Did they do that?

 $\underline{\text{Mr McCrosson}}\colon$ They contacted me, but the officer has not made the trip into the area yet, so I assume it will be some time in the near future that he will be —

 $\underline{\mathsf{Mr}}\ \mathsf{Haggerty}\colon \mathsf{If}\ \mathsf{he}\ \mathsf{does}\ \mathsf{not}\ \mathsf{hurry},\ \mathsf{he}\ \mathsf{will}\ \mathsf{be}\ \mathsf{coming}\ \mathsf{in}\ \mathsf{with}\ \mathsf{snowshoes}\,.$

The Chairman: They did promise to visit you at your home, in fact.

Mr McCrosson: The problem we have is that this particular area—it is not just this area, either. All around the surrounding townships now, everybody is building just outside the township boundaries. As a result, they are paying \$26 a year taxes and we are getting the privilege of maintaining and plowing the roads. There is a lot of money involved in plowing up there in the winter time. The taxpayers in Hornepayne are paying for this. The only places in the world that are tax-free are the Cayman Islands and this part of northern Ontario.

The Chairman: I appreciate your bringing this to our attention. It is obviously an anomaly that should be corrected. Does anyone have any questions?

Mr Morin-Strom: As a member from northern Ontario, I would just like to comment that very often we get legislation geared totally to what is going on in southern Ontario. In southern Ontario, where you have rapid development, you have not only one but two levels of local government in most communities to handle the amount of development and to collect the taxes off everyone to pay for it.

In northern Ontario, there are many areas which have not one. They have zero. Those are the unorganized townships in northern Ontario. It is a serious dichotomy between individuals who live on adjacent areas, one within an organized municipality and then those who live nearby who are in an unorganized municipality and as a result are paying—there is no municipal government. They are not paying a property tax.

I think if we looked at other countries, municipal organization would cover every area of their country. I think we should question whether all areas should be organized as part of a local municipality and put to an end the idea of unorganized townships in Ontario.

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Mr Haggerty: What is the population?

Mr McCrosson: The total population of Hornepayne is 1,500.

The Chairman: What about Lessard township? What is the population there?

Mr McCrosson: Lessard township consists of very few buildings. The only development in Lessard township is on that second government lake on the other side of that boundary line, on the south side of the township boundary. So the amount of development is not much.

<u>The Chairman</u>: So if we were to consider what Mr Morin-Strom is suggesting in your case, it would likely be that it would be wise to include Lessard township into Hornepayne township?

Mr McCrosson: It would probably be beneficial to annex all the surrounding townships to a main township like Hornepayne, that has a library, swimming pool, hospitals and all the—

<u>The Chairman</u>: Leaving that aside, because we have not heard from the other townships, what about this Lessard and Hornepayne? Not that we can do it this afternoon.

 $\underline{\text{Mr McCrosson}}$: You will not get any input from the other townships because it is unorganized territory.

Mr Morin-Strom: Just a point related to this. Blind River is in a similar case right now, where there is a push to annex the areas around Blind River into the municipality. The town council had refused in recent months that request which has come from a number of residents both inside and outside for various purposes. However, as I understand it, Municipal Affairs has really been pressuring the town council to reconsider that direction. The government is giving some indication that it is attempting to get involved in forcing the annexation. This may have to be looked at in a lot of areas across northern Ontario.

Mr Mackenzie: It seems to me that it might be worth taking a look at another possible suggestion, whether we have the authority to do it in this committee or not. That is simply that in the few cases where there is a township where a few residents, such as in this case Lessard township, who are receiving what services they are getting from Hornepayne, the roads and so on, that there should be an assessment equal to the assessment of the residents in the Hornepayne area. It seems to me totally unjust that a smaller group of

people, five or six people, can get the services that may even be denied in cases where you have the water access, such as your situation, and be paying a tiny fraction of what you are paying without the services. There may be lots of reasons why it could not be done that I cannot think of at the moment, but it does not strike me as being unreasonable to say that where residents adjacent to an organized township are getting the services from that township they should be required to pay for them.

The Chairman: Mr McCrosson, you indicated in your opening that Bill 20 does not address your problems, and I think everyone in the room would agree it does not. It is meant to address other very significant problems in high-growth areas. In any event, we appreciate your bringing this problem to our attention. The parliamentary assistant to the Minister of Municipal Affairs is listening to you. Civil servants from the ministry are also listening. You have awakened the committee to some of the problems that exist where there are unorganized townships, and we appreciate your coming down here and doing that. As I say, I note there is an attempt being made to look at your particular problem and I hope that can be resolved. Perhaps Mr Tassonyi can meet with you afterwards to see exactly where that is going at the moment and maybe he can help you.

 $\underline{\text{Mr McCrosson}}$: Thank you very much, Mr Cooke. I certainly appreciate your giving me the time.

The Chairman: Thank you. Thank you for making the trip down here.

WATERLOO COUNTY BOARD OF EDUCATION

The Chairman: The final submission today, leaving the best till last perhaps, I hope, is the Waterloo County Board of Education. With us on behalf of the board are: vice—chairman Susan Sanderson; along with Al Ewasko, superintendent of business and treasurer; Ray Ward, director; and John Monteith, a trustee from the board. Welcome to the committee. I understand Mrs Witmer has an illness in the family.

Mrs Sanderson: That is right.

The Chairman: Sorry to hear that. In this committee room, we have room for up to four people, if you wish, provided the two end people put microphones around their necks when they are talking or hold the mikes up. Welcome to the committee.

Mrs Sanderson: You have partially introduced the people here representing Waterloo county. I will just introduce them to you personally: Ray Ward, our director; John Monteith, a trustee; Al Ewasko, who is our superintendent of business and treasurer. In the audience, we have Walter Gowing, a trustee as well, and Chris Smith, our senior planner. I am Susan Sanderson, the vice-chairperson.

Waterloo County Board of Education welcomes the opportunity to state its position with regard to Bill 20. We will be speaking to Part III of that bill, education development charges, lot levies. We are pleased that the province has recognized the need to address the capital funding issue for elementary and secondary education. The proposed Bill 20 is evidence of that recognition. However, our board has serious reservations regarding the direction the province has taken in addressing this need.

I would like to give you some background to the Waterloo County Board of

Education. It is the eighth largest public board in Canada and the sixth largest public school board in Ontario. It is responsible for the operation of 110 schools and has 267 portables in place. During the past five years, the Waterloo County board has opened one new secondary school and five new elementary schools. Over the next three years, the Ministry of Education has approved for grant three additional elementary schools, as well as a major addition and recommissioning of another. We are a growing board.

Our basic position: The government's approach to the capital funding needs of education suggests that education only benefits the learner. The lot levy or user fee it proposes ignores the fact that society as a whole benefits. The Waterloo County Board of Education believes that because education provided by public school boards has a universal societal benefit and is open to all learners, the necessary costs should be as broadly based as possible.

The impact of Bill 20 on provincial rates of assistance: Our board is disappointed that the province is continuing to shift the responsibility for the funding of education to the local level. The province's share of school construction costs is to go from 75 per cent to 60 per cent.

Education remains a provincial responsibility, as evidenced by the increase in new programs and initiatives mandated by the province. Unfortunately, these programs and initiatives are rarely funded appropriately, leaving local boards with the responsibility of raising the shortfall and thereby compounding the capital funding problem.

Establishing provincial social capital priorities: The Waterloo County Board of Education recognizes that the provincial government must be fiscally responsible and allocate its resources fairly. A clear statement of the province's social priorities needs to be enunciated. This would allow an informed perspective on the place of education in competing and justifying the need for capital funds among other perceived local needs, such as arenas, community centres and administrative facilities.

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Going over to page 4, the impact on housing costs: There can be no doubt that the imposition of educational development charges will increase the cost of housing to the buyer. Our board does not subscribe to the theory that market demand is the main determinant of housing prices. The reality of the situation is that the development charge will be viewed as an added cost which will be attributed to the local board and therefore can be justified simply as a recovery of cost by the seller. Suggesting that an increase in a tax results in reduced profits rather than an increase in price to consumers is unrealistic in light of the past experiences of other tax increases.

Our board calculates that a conservative estimate of the combined Waterloo public and separate boards' charge for a single-family residence would be between \$2,500 and \$3,000. This, added to an estimate of \$9,000 for local and regional municipal purposes, could result in a levy of about \$12,000 per home.

Our board is of the opinion that allowing development charges to help fund the capital costs of social services would be counterproductive to any provincial policy that promotes an increase in the supply of housing stock.

The increase to local costs: The Waterloo County Board of Education is

of the opinion that education development charges will lead to increased costs for local ratepayers, and we would put forward two reasons.

First, because the ministry's grant paid towards constructing additional school accommodation is to go from 75 per cent to 60 per cent, the local share will increase. The second reason is based on the belief that the education development charge will lead to an increase in housing costs. This in turn will lead to higher mortgages. In examining mortgage rates in comparison to interest rates paid on board debentures, it is apparent that mortgage rates are about two per cent higher. One of the benefactors of an education lot levy would then appear to be the lending institutions.

I would now like to speak to specific reactions to the regulations of Part III of Bill $20\,$.

The Waterloo County Board of Education maintains that the scope of the regulations permitted under Bill 20 is too broad. The act itself should address and specify many of the items proposed to be governed by regulation.

There are some examples in this section. I will go down to bullet two: Boards of education should have the authority to determine the appropriateness of any use of education development charges so long as they are for the purposes set out in Bill 20. Education development charges are simply another form of local property tax and the province should not possess discretionary authority over the release of local funds. A senior official in the Ministry of Education has not denied that the ministry would allocate the funds according to the ministry's priorities and not necessarily to the board for which the levy was collected.

There is much more in this submission that can be read as well. However, I did try to highlight some of the points that we feel are the most important. I would just very briefly go over the summary at the end.

In summary, the Waterloo County Board of Education has adopted the following as its position:

That education benefits society as a whole and not just the learner;

That because education has a universal benefit, it should not be viewed as a service to be paid for solely by the specific recipient but by society as a whole. The cost should therefore be as broadly based as possible;

That an education development charge will have an adverse impact on the affordability of housing;

That legislating the right to levy an education development charge should not be an excuse for the province to reduce its financial obligation for education by reducing the rate of funding for new schools from 75 per cent to 60 per cent;

That the province needs to provide a clear statement of its funding priorities for social needs;

That the proposed education development charge is simply another form of local property tax, which due to financing costs will result in a greater cost to ratepayers than the alternative of levying the requirements through mill rates.

Referring to the regulations: that the scope of the regulations permitted under Bill 20 is too broad. The act itself should address and specify many of the items proposed to be governed by the regulation.

Once again, we thank you very much for the opportunity of presenting our position, and we welcome any questions you have.

Mr Epp: I have a question that the delegation—I appreciate you being here—may want to answer, and also the Education authorities. Is this regarded as another form of property tax?

Ms Dalzell: The premise behind the bill is the idea that growth should help to pay for the services it requires, so in that respect it is from the local tax base.

Mr Tassonyi: It is not regarded as property tax.

Ms Dalzell: It is not a property tax but a levy upon new development to help it pay for the costs the school board will incur because of it.

Mr Epp: If Waterloo were to adopt this, is it correct to say that this money might not necessarily go to Waterloo? They are wrong in that regard?

Ms Dalzell: Yes.

Mr Epp: Why would an Education official tell them that if that is not the case?

Ms Dalzell: There has been some confusion with respect to charges imposed by coterminous boards within an area of jurisdiction. The idea is that there will be one levy which represents a levy based on a split between public and separate funds, if I can use that example. The money will then be placed in the account and will only be withdrawn when a project has been approved by the Ministry of Education and allocation has been given.

You may have a public board and a separate board passing a joint bylaw to impose an education development charge. The charge may represent a split between the public and separate of 75–25 per cent pupil yield. The money goes into a joint account and it stays there and is jointly administered by the two boards; it can only be withdrawn with the consent of the treasurers of both boards and only for a growth-related capital project that has received an allocation from the Ministry of Education.

If I understand the premise behind your statement, it is not public funds and separate funds in this account. It is a matter of a blended levy that will be used based on real need when the need for a new school occurs.

Mrs Sanderson: May we respond?

Mr Ewasko: If I may, one of our concerns is that there is no provision in the bill that ensures that if it is collected 75-25 per cent it will be allowed to be spent in that proportion. When the ministry official was questioned on that specific lack in the bill, there were no assurances coming from the ministry that the funds would be allocated in the proportion in which they were collected.

Ms Dalzell: The reason for that is that they are collected on the basis of projections. Those projections are done on the basis of demographics

and past practice, that sort of thing, but the allocation or the withdrawal of the money will be done on the basis of actual need. If you projected that the separate board would need three elementary and one secondary and the public would need twice that many and the split between public and separate comes out differently, then obviously the need will be different and the money will be allocated on that basis.

Mr Ewasko: That is precisely part of our concern, that if the projections are inaccurate and the other board or our board underprojects the need, we can still have access to satisfy whatever our need is deemed to be in the future by the Minister of Education. Our position simply is that we are not in favour of the lot levy. We are saying that if it is to be passed, there should be provision in the bill to ensure that the allocation is made on the basis for which it was collected.

Mr Epp: Just to pursue that for a second, if you do it on the basis of projections, one board could project excessive amount of growth whereas that might not be realistic, and another board tries to do it realistically. The one that does it excessively gets benefits it might not deserve. In other words, it might be putting 25 per cent in yet be projecting 35 per cent growth, so it gets 35 per cent of the money yet is not paying that much into it. It creates a problem.

1630

 $\underline{\text{Ms Dalzell}}\colon$ School boards do not pay money into the account. I should just clarify that.

Mr Epp: It is paid in on their behalf.

Ms Dalzell: The premise on this point came up very early on in the committee hearings, with the idea that coterminous school boards are going to have to get together in terms of their projections. There is a number of reasons for that. Basically, the first one is self-interest. If either school board purposely is out on its projections, the calculation of those charges, both the separate and the public, are going to be off and they are going to be open to appeal to the OMB. Any portion of the calculation is open to appeal. In that respect it is very much in the interest of the coterminous school boards to get together, decide on a split and go forward with two charges together that reflect that split, the agreed upon level.

The idea would be that if you are going to go in favour of one way or another, it would be better to favour the public side, because its approved local share is larger. In that respect, if you weighted a bit in favour of the public side, you are probably going to get more than you need. The idea is that there is some co-operation there, because it is in the interest of both parties that that occur.

<u>Mr Jackson</u>: Just a point of clarification. Part of the weighting factor is associated with the fact that separate boards do not have access to industrial-commercial assessment. Once that is implemented, within a year, according to the government's legislative track record, those funding ratios will adjust themselves, and therefore the differential will not be as extreme.

Let's be careful to make sure we do not leave that mindset, because once boards are on a level playing field with respect to commercial—industrial assessment, they can feed their own capital plans at a different rate and the grants will adjust. I just wanted to clarify that.

Ms Dalzell: The other part of that is that school boards can get together and make amendments if that were to occur. If they found there was a problem with the rate they had calculated based on rates of grant, they could go back and amend the bylaw to increase the levy.

The Chairman: Mr Ewasko, you are not satisfied.

Mr Ewasko: I think the intent of the bill is clear. The intent is that boards should be able to forecast the future and determine their needs in advance. This discussion I hear is that if a board implements a lot levy it may not get anything at all, because it is going to be based strictly on somebody's judgement at Queen's Park and a perceived need for school accommodation. It may be that in the end there is a priority of need and one board or the other could be rated higher in priority, and by the time the second board comes up for its share, the lot levy account could be depleted.

Ms Dalzell: I notice that the regulations have not been reviewed by the board in any detail. There is a system set up with respect to withdrawal of funds from the account. It talks about a project rate. The idea is that the two treasurers will get together and decide, based on moneys coming into the account, whether they are going to have enough money for all the projects that they have projected will come on stream within the term of the five—year bylaw.

That is something we are leaving at the local level, because it is actually—I think the point was made somewhere along the way—local funds in that respect. A project rate will be determined by the treasurers in terms of a withdrawal for projects as they come on stream. If you go to your projections and you say, "We're only going to have 80 per cent of the approved local costs of these five schools we're going to be building," you will only be able to withdraw 80 per cent of the funds. If you get to the end of your five-year term and you say, "We do have enough money to fund all projects at 100 per cent," there will be retroactive adjustments made to the moneys that the boards were allowed to withdraw during the term of the bylaw.

Mr Ewasko: I have had the opportunity to scan the regulations. I have difficulty understanding them. I think there is some redundancy in them. Again, there are two treasurers; there is no provision for a split decision.

 $\underline{\textit{Ms Dalzell}}\colon$ The idea is that the boards will work together, because it is in both their interests to withdraw the money.

The Chairman: You know we are looking for input on the draft regulations until 2 October, so hopefully we can keep the communications open. Mr Epp, you have another supplementary?

 $\underline{\text{Mr Epp}}\colon$ If there is an impasse here, if the two treasurers cannot agree, it goes to the OMB?

 $\underline{\text{Ms Dalzell}}\colon \text{It would probably resort to the ministry. I do not know if there is a---}$

Mr Jackson: Setting the charge is done mutually by the two treasurers and that can be arbitrated by the OMB by virtue of the fact that it is a development charge. But what the school boards are more concerned about is what gets taken out of the fund in what ratio with respect to the coterminous boards. We are not 100 per cent sure how that will work.

Mr Epp: That is what I am trying to find out.

The Chairman: Could we have the ministry's opinion on that?

Ms Dalzell: If you are talking about an inability of the two representatives of the board to get together and decide on a project rate or withdrawal, there is no provision with respect to going to the OMB. In that case, I would assume the ministry would arbitrate or get parties together to discuss.

Mr Jackson: What is the sense of going to the OMB, when this legislation clearly states that the fund cannot be spent without the approval of the ministry?

 $\underline{\text{The Chairman}}\colon \text{I thought you were arguing that you could go to the } \mathsf{OMB}\,.$

Mr Jackson: On setting the development charge up front; that is in relation to the developer saying, "The school boards are gouging my potential home buyers." What the school boards are concerned about is who arbitrates when they are in dispute. In fact, the ministry will announce which schools are eligible and they will go to the fund. School boards will be faced with one of two options or a combination of both. They can remove from the fund that which the ministry says is their ratio of contribution in the fund and/or they can go and get any additional funds by debenture if the ministry will let them. The government has given us signals on two occasions publicly that that is the direction it is encouraging boards to go. Debenturing is a component of any concept of shortfall in what you might have into the fund, which will lead into my question nicely when I am recognized by the chair.

The Chairman: Mr Epp, do you have any further comments?

Mr Epp: No, thank you.

The Chairman: All right, Mr Jackson. We do not want to-

Mr Jackson: What do we not want to do?

The Chairman: We do not want to stop the flow of your question. That was why I was hesitating before I said it. Mr Jackson, go ahead.

Mr Jackson: This is an excellent brief and you cause us to raise several questions. If I could start with the first statement about your 267 portables, I keep asking educational groups who come before this group—there are sort of three doors in a game show. Behind door number one is your growth needs that you have met with the recent announcement. Behind door number two is all unaddressed growth needs. Behind door number three is all this future growth as a result of the next houses that are going to be built.

It is important for committee members to understand, and I am sure most of them do if they come from areas of growth, that the albeit generous announcement of \$1.2 billion in capital construction province—wide only partially addresses the growth needs. So for the next four years this government is committed in terms of who is getting schools, how much they are going to be paid, provincial grant rate, etc. You obviously know that your figure of 267 portables is probably going to drop slightly, but then because of increased growth it will go back up again.

Where do you understand this legislation is with respect to addressing the unanswered growth problems? What guarantees are there that people buying

brand-new homes and paying this levy will not be putting money into a fund to pay for new schools to eliminate these 267 portables?

Mr Monteith: I am not sure I fully understand the question.

Mr Jackson: Do you think Bill 20 is going to deal with the current 267-portable backlog? Do you think this bill is going to do that?

1640

Mr Ewasko: Maybe I can help there. You have to follow the reasoning and the logic of the Ministry of Education. The board of education is saying that because of this bill, you will now have access to some funding that you did not have before. This now allows us to reduce the rate from 75 to 60 per cent on the average funding of new capital construction. That means our \$300 million a year will be spread wider. If you follow that rationale, then why not 50 per cent, 40 per cent, as it would provide more and more schools.

In terms of my opinion and in talking with the trustees, we do not see any appreciable effect on the requirement for portables. We are still subject to ministry approval for new facilities and, yes, the \$300 million a year will be spread over a wider base, if you like, and more new schools perhaps will be built, but it still does not address the problem of the growth in portables. We have opened two new schools this year. We have also added 31 portables, which is the equivalent of two other schools.

 $\underline{\textit{Ms Sanderson}};$ Might I just add that programs such as reduced class size add to our portable problem as well.

Mr Jackson: On this point, some comments have been presented to this committee that it would be possible for the development charges to be designated within a large jurisdiction. Waterloo county has several municipalities. Excuse me, it is now a large regional municipality, but there are some areas in the province where the school board is an umbrella jurisdiction over several municipalities. It is possible, we were told, that the funds collected in a given municipality will ensure that the school is built in that given municipality.

Having been a trustee, I understand the corporate nature of board decision—making and the prioritizing of the projects. I guess my question to you is this: In light of all of the growth—related demand—pent—up, current, unaddressed, whatever you want to call it—would you object to something some have suggested that we do include in this legislation that designates that the moneys will be spent on growth that was subsequent to the royal assent of this bill, in other words, making sure that the fund cannot be used to address past need or even recent need?

Mr Monteith: If you read closely through our brief, I think that we are saying since we are going to be blamed for whatever charge if we impose it, we should be given the option of deciding whether we are going to address the current problems we have or address the growth as it develops. Because it is local money that is raised, in effect because we pass the appropriate bylaws, we should have a fair amount of say in that. I do not think that we should be limited by legislation as to where it goes specifically, although perhaps, in a general sense, as to whether it is through renovation, through replacing portables or specifically a new subdivision.

In fact, I think the way the legislation is drawn, while I read it as

attempting to address new growth, it does have a certain retroactivity component to it, in that the grants that have been announced for subdivisions which are currently existing have been projected at the 60 per cent rate, supposing that we are going to raise money down the road to build in a subdivision which already exists for which we cannot retroactively collect a grant.

Mr Jackson: I am glad you appreciate that concept because what you have got is a political statement about how we are going to fund, but the regulations try to address freeze-framing at a future point when development starts.

I trust the chairman is following my line of questioning. Now can I shift and ask the ministry to what extent the current legislation or the potential regulations address this issue of the Waterloo board of education's concern with respect to its flexibility and whether or not this fund will be for grant announcements subsequent to the implementation of this bill.

<u>Ms Dalzell</u>: The bill addresses only educational capital costs required because of development occurring after royal assent. There is no provision in the bill at this point for school boards to address current and existing charges.

Mr Jackson: Is that in the bill or in the regulations?

Ms Dalzell: The premise is in the bill. There is no retroactivity. It says that if there is a development, a school board may pass a bylaw to impose a charge.

Mr Jackson: Then how do you interpret the reduction from 75 per cent to 60 per cent under the capital grant plan?

Mr Monteith: If that is going to be the case, there is no justification for our reducing it to 60 per cent on properties that are already developed and have been awaiting their schools. If there is a cutoff date, or whatever you want to call it, as of which only moneys collected after that date can be used for growth projects, and so on, then we are going to be in a situation where subdivision B, which starts the day after whatever that deadline is, gets its new school before the subdivision has been sitting there six or seven years, having its kids bused across town and waiting for its school. They are not going to get it and the new subdivision will.

Mr Jackson: We tried that in Halton and all holy hell broke loose. Could I ask then, as several education boards have indicated to us, do you support the principle or recommend to this committee that it recommend to the government that for those boards that do not implement the development charges in accordance with Bill 20, the previous provincial funding rate be honoured by the government, and for those boards that do not participate?

Mr Monteith: Absolutely.

Mr Jackson: I have a few more of questions, but if you are ready to recognize other people, I will yield for a few minutes.

 $\underline{\text{The Chairman}}\colon \text{I have a number myself}$ and do not have anyone else on my list. Go ahead.

Mr Jackson: Go ahead.

The Chairman: All right. We are all fair today. You have indicated in your brief that you assume that the price of housing is going to go up as a result of lot levies being provided by the boards and have indicated a single-family residence in the Waterloo region would have between \$2,500 and \$3,000 in lot levies placed on it by the two boards. I am just wondering how you come to that figure.

Mr Ewasko: What we did was use the generation factor for a single-family home, which I believe is 0.4 of a student for our board and 0.2 for the separate board. We presumed as well a school that would accommodate about 400 students costing about \$4 million, not all of which, by the way, is recognized for grant purposes, because the capital grant plan that the minister uses for that, I believe, is perhaps just a little out of step with regard to actual costs. We also presumed a certain value for the land.

Having all those in front of us, we then calculated the grants that would be receivable, the amount that would not be approved and still would have to be funded through the local levy, if you like, and then that left the portion that would be applicable to the lot levy if it were implemented. Simply dividing that by the number of homes gave us an approximate figure.

I acknowledge that these were all estimates, because we had some difficulty in unravelling the regulations.

The Chairman: Can I assume that in coming to those conclusions and if you are looking at optimum situations in so far as capital growth is concerned, that these are maximum figures, in other words?

Mr Ewasko: Out of that 25 per cent of the cost that normally could be borne by the lot levy, we also allowed a portion to be borne by the commercial-industrial sector. The bill allows anywhere from zero to 40 per cent, and we could have gone to the upper end and reduced the lot levy on residential homes or we could have assumed zero and increased it. That is why we quote a range. We are not sure where that might end up. I am fairly comfortable that that is a fairly accurate estimate.

The Chairman: Does that estimate assume that you are going to put lot levies on affordable and nonprofit housing?

Mr Ewasko: If I interpret the legislation correctly, it allows a different level of lot levy, if you like, on different types of development.

The Chairman: Or I presume you may exempt it from nonprofit housing.

Mr Ewasko: Entirely. We interpret that as meaning single-family homes, apartment units and condominium developments, but an affordable home is a single-family home. I am not sure whether or not the legislation permits discrimination within a class of development.

1650

Mr Jackson: It does.

Mr Ewasko: It does?

The Chairman: Would that change your view of the cost of this to

Mr Ewasko: What it does is transfer a lot levy from one payer to another then.

Mr Jackson: The province is pursuing its mandate with 25 per cent affordable housing, by definition imposing—in other words, on 100 acres of land, 25 acres would be for affordable housing. For municipalities and school boards to discount wildly any levies in order to ensure affordability, they are effectively eliminating a quarter of their opportunities to feed their fund. I myself have difficulties understanding how that will work without it being—it is like squeezing a balloon: it has to bulge somewhere else. Someone else has got to pick that up, because the growth—related impacts which are being talked about here are still going to proceed with an affordable house, for example.

The Chairman: On the nonprofit issue, it is my understanding, from what I am hearing about your view of this legislation, that you might be considering taxing nonprofit housing, including the city nonprofit housing complexes, and in that way siphoning some money from the city over to the board. Is that in your mind? If so, maybe we should be plugging that loophole.

Mr Ewasko: No, not at all. Our board's position, if I may, is simply that, first of all, education lot levies should not be brought into force—

The Chairman: I understand that.

Mr Ewasko: Our board has not decided whether it would impose a lot levy for educational purposes or not.

The Chairman: But if it did?

 $\underline{\text{Mr Ewasko}}$: If it did, I guess our argument still stands. It is going to affect the price of homes.

The Chairman: My question has to do with nonprofit housing. You would tax nonprofit housing if we gave you the right?

Mrs Sanderson: We have not discussed that yet at this point.

<u>Mr Jackson</u>: Incidentally, the Ontario Separate School Trustees' Association did indicate, in response to that question, that part of its ethos would be to shy away from taxing those less advantaged and those in need of affordable housing support. That, in and of itself, might potentially create a matter of disagreement in terms of how to build the fund.

The Chairman: Was that in the Waterloo region?

Mr Jackson: No. That was the parent association for the Catholic trustees in Ontario—

The Chairman: Oh, that was yesterday.

Mr Jackson: It was a response on their behalf. It was quite consistent with what they conveyed in the past.

The Chairman: The basis of my question is partly in response to what I understand was a representative of your board who appeared before the Waterloo Regional Supportive Housing Coalition this morning, indicating that this was a problem it would have in proposing nonprofit housing. You are telling me that you have not discussed it.

Mrs Sanderson: It has not been discussed by us at all.

 $\underline{\text{Mr Smith}}\colon \text{Mr Chairman, if I may, my name is Chris Smith. I am the senior planner of the board.}$

The Chairman: Yes. Could you take a microphone, please.

Mr Smith: All I was pointing out was that at this point, if we were to adopt a bylaw, it could be across all housing. The difficulty is that dealing with categories of land uses is one thing and dealing with categories of housing is another. Nonprofit housing is the same generation in terms of students. If we give up a lot levy but reduce capital rate, how do we make up the difference, and do we become an oasis of affordable housing because it is cheaper? I am not putting down affordable housing, but who do you dump on? I guess that is all I am saying. Right now, it is not clear that it is exempted.

 ${\it \underline{The\ Chairman}}\colon$ It is a possibility that the Waterloo regional board is considering it.

 $\underline{\text{Mr Smith}}$: I think we would have to put it before our board, because there is substantial affordable housing within our region. So the board has to address it; how, I am not sure.

Mr Monteith: I think another problem we are facing in this regard—as I say, it has not been discussed by the board as a whole. To exempt nonprofit and affordable housing in fact puts us in a position of subsidizing an area that is a responsibility of a ministry of the province other than Education.

When we have talked about being involved in other social activities, for instance, the breakfast programs for children who come to school hungry, we were told in no uncertain terms by a minister of your government that this was not our bailiwick, to stay out of it and not to put our money into it. Now it is being suggested that, yes, our board has some responsibility for social costs, which really should be under another ministry.

Mr Mackenzie: I think what your brief does and what the argument we have just been having does is to clearly underline the additional problems we are presented with if we allow this copout or transfer of responsibility from the government in terms of costs of education.

 $\underline{\mbox{The Chairman}}\colon \mbox{\bf I}$ have another question and Mr Jackson, you have another question.

Mr Jackson: I really like your brief. However, it is important that all of us at this table, if we see what is wrong with a bill, have to discuss some alternatives. I like to throw back what we have learned to date. One of the groups before us suggested that just to hit new housing discriminates in terms of growth, that people from Toronto move into your region and buy resale homes and that perhaps we should be looking at an adjustment in land transfer tax as a more equitable means of addressing all persons who potentially could impact, or are a direct result of growth.

Whether I support that notion is not important at this point. I am just posing it for your consideration, given that this province now collects between \$1.5 billion and \$2 billion a year in land transfer taxes and that is certainly not what it costs to run our land registry offices. That is separate from the fees that are additionally paid at land registry offices. Let's just say it is a source of revenue for this government, land transfer taxes.

Would you suggest the government look more seriously at dedicating its revenues from land transfer taxes more to capital—and growth—related needs, since there is more land transfer tax generated in growth areas, since in areas of development anybody who even wishes to speculate on a house ends up—the government may collect three land transfer taxes from a single, brand—new house before the final owners settle into it. They could get \$18,000, \$19,000 or \$20,000 in land transfer tax from a large home in the course of a year, and yet we are fiddling around with a lot levy fee that may not, in its accumulative effect, seriously impact your growth needs.

Would you like to respond to that, because I have raised the issue of fairness and I sense that you are saying the government should be addressing the issue of funding and looking at creative ways, but that this is not one of those creative ways. One of the suggestions we have heard is to utilize the land transfer tax more effectively. Is that something you might have considered or would consider, or do you have any alternatives to propose?

Mr Ward: I guess that one comes from a whole different kind of perspective in terms of funding for education. I have to keep going back to the fact that we are opposing a levy. However, you have brought up a whole different dimension. If it would give us funding, it is a source of revenue that could be transferred to education when we have needs.

We have talked about our current needs and those we have not even addressed yet. We have not identified the fact that if we are to meet the mandate of junior kindergarten and full—day senior kindergarten, we could talk about another 200 portables just to meet that, only they are not good enough for JK and senior.

If that kind of land transfer revenue could be put into that kind of not only past need for funding, but current need for funding, it would certainly be something worth looking into,

Mr Jackson: The reason I raise it is that in New Brunswick the provincial government does not collect the land transfer tax. It leaves it entirely up to the municipalities and school boards share in the proceeds, and they are growth-related. In Quebec, there is some recognition of growth-related aspects of costs and it is reflected in the land transfer tax. Theirs is structured differently.

As I sit here and I listen, I recognize we need more money for schools in Ontario. I also agree with you and recognize the need that it is a provincial mandate that all our citizens pay for education because it is a determinant of how well we have evolved as a society. It is a societal commitment. It is not, as you put it in the context, an individual learner's benefit solely.

1700

We are struggling, as well. If we are going to find fault with it, with an approach in this government bill, we can do that very easily. I am in opposition. By definition, I am supposed to find fault with it. But by the same token, I am the Education critic and I recognize that we have to find this money somewhere. I can only leave you with that. I doubt seriously that this legislation is going to come off the rails. I doubt seriously that it is going to be amended very much, so you are basically looking at what is going to happen.

If it is not going to work three or four years from now, perhaps school boards, through your parents' association, should be examining some other options, an analysis of other approaches. I do not think this one is going to work, quite frankly, but my opinion does not really count for much.

Mr Ewasko: If I can comment again in regard to that, in its brief, our board did not look at the opportunities for other revenues. In fact, we are suggesting that we realize there is a finite limit to the fiscal resources of the province. We are suggesting that perhaps what needs to be done is that all social capital needs on the provincial level need to be looked at and prioritized.

For example, and we point this out in our brief, through the Planning Act, municipalities have the right to require five per cent land dedication or cash in lieu. Boards also have to acquire land, but they are now paying close to market prices, if market prices. The suggestion we are making is that perhaps, in terms of the social priorities at any given point in time, schools may be more important than park land. Schools do provide space for playgrounds and so forth. Perhaps instead of looking for additional revenues, there should be some shift in the revenues that are now available.

The Chairman: Back when we were hearing prebudget submissions, the committee heard from the Ontario Public School Boards' Association that it, with some care and caution, was supportive of the concept of lot levies. We have heard from a number of different school boards during these hearings and also the Ontario Public School Boards' Association again this morning. I was not present for the Ontario Separate School Trustees' Association yesterday, but I understand it was somewhat supportive. There is certainly criticism of specifics, but I think they are supportive of the concept in every single case, except yours.

We certainly do not get the same message from municipalities, in part, I think, because in some cases they would like to keep all the lot levies for themselves. We had the mayor of Mississauga telling us this morning that she raises \$20 million a year. She actually encouraged their school boards to get involved as well, because it is a good deal, although they do not particularly want the province to be regulating them as much as we are proposing.

We have the Ontario Hospital Association coming in here and saying: "How come we can't get in on this? We need to build more hospitals." Do you have any response to that, in view of the fact that in every other area where we are hearing from people in growth areas, they are saying this is something that seems to be a good concept?

Mr Monteith: There are a number of things that perhaps create the reactions that are created. One is that you have a large number of school boards in this province that are not in growth areas. They look at a piece of legislation that initially proposed dropping all grants from 75 per cent to 60 per cent, and then subsequently decided to leave the renovation portion of it at 75 per cent. The nongrowth boards are saying: "Thank heavens for that. We will support it. Let's get it through before they make any more changes."

You have school boards in this province that do not depend much, if at all, on the provincial government for funding because of their local wealth. They see a chance to use lot levies in a very significant way. I think the Waterloo board is in the middle. With what we do, we depend to a very large degree on provincial assistance. We have had cases where the need has been so great that we have had to forgo waiting for provincial approval. For instance,

the \$6 million or \$7 million we spent renovating Galt Collegiate and Vocational Institute was done without provincial assistance.

But we need provincial assistance. We see lot levies as primarily augmenting that portion that we will no longer get from the province because of the reduction in the grant factor. There is some new revenue in there, yes, but it has been our argument that that portion of it should be covered universally because education benefits the whole community.

I think another assumption has been made that is perhaps not completely correct; that is, that all this growth is caused by all those outsiders moving into our region. I have a daughter who just recently bought a home for the first time in the Waterloo region. She has grown up there. She is not an outsider who is contributing to the growth of the region. I have paid taxes on her behalf for many years. Why should she be penalized because she finally reaches the age at which she buys her own home? I have another daughter who within another year to two will be in the same position.

Much of the growth is from people who have grown up within the region and are now reaching adulthood and buying for the first time. They should not be penalized, because I have been supporting them through taxes for years. The municipality has benefited from that and now it all of a sudden wants more. I do not find it unusual that other boards would support it. To be quite honest, my initial reaction was that it sounded good, but when you really study it, as far as school boards are concerned, when you consider what education should be to this province, I think this is a bad piece of legislation.

 $\dot{\text{Mr}}$ Mackenzie: Mr Chairman, I think, with respect, your question was a little bit unfair because while there was support for it, it was support with reservations. I do not know a single board before us that supported the 75 per cent to 60 per cent. I think you have to put it in a proper context when you say there was support for it.

The Chairman: The point I was trying to make was that the concept was being supported. Certainly there are details they are critical of.

 $\underline{\text{Mr Mackenzie}}\colon$ They are certainly not agreeing to the cutback from the 75 to 60 per cent.

Mr Jackson: It is not a stand-alone concept; it is a tradeoff concept. That is the thing. It is a fair point to be balanced about.

<u>Mr Ewasko</u>: If I may, we just received a copy of the Ontario Public School Boards' Association brief, which I understand was presented this morning. If you read the brief, they are supporting it virtually out of desperation. They are saying they see no alternative. They view the lot levy as a short-term solution and they are urging that Bill 20 contain a sunset clause as one of the provisions. Again, it is a short-term solution to a problem that we believe, as a board, is going to go far in the future.

The Chairman: Mr Reycraft questioned them on the sunset clause and I think they tempered that a little bit, saying they wanted the government to look at the legislation in five years, at that point. Do you have a better solution?

Mr Ewasko: A couple of solutions: First, we are suggesting that rather than target a specific group, even though we have the right to give some relief, if you like, which might in turn lead to other types of

discrimination, the funding of school requirements be as broadly based as possible. At the provincial level, that means continued provincial support. At the local level, it means through the mill rate.

The Chairman: Yes.

Mr Epp: I was just going to say that you might find yourself in a kind of catch—22 situation. If you go along with the levy, you are going to get additional funds and be able to meet the needs. More clearly, if you do not put it on, you will not have the money to meet some of the additional needs, and second, you are going to attract more people because they will not want to buy a house in another area because they are going to be able to get it more cheaply in the Waterloo regional area.

Although Mr Mackenzie is shaking his head, in fact people do look at it in a monetary sense and they do look at how much a house is going to cost them whether they buy it or not.

 $\underline{\mbox{The Chairman}}\colon \mbox{Mr Ward, the last word unless I want to make one myself.}$

1710

Mr Ward: I might comment first on Mr Epp's comments. In that particular case, I think it is not clear in what we have read into the regulations or the legislation so far what will happen, if in fact it goes through, whether you will have the option of opting out or opting in. That remains yet to be seen and it certainly will be a catch—22 regardless.

What I would like to comment on just briefly are the implications of the remarks that Mr Monteith and Mr Ewasko made. I think our dilemma, like a lot of other boards, and the reason we have come out in opposition to the levy, is the social and fiscal responsibility we feel for the people in our community, discrimination against a particular group of people at a time when we are really trying to say, "We need a lot more money to do what is being expected of us by the Ministry of Education," at a time when this comes down and we are trying to be up front with the people in our community about how much we can afford, what has to be done, where the money is coming from and how much it is going to mean to their mill rate on an annual basis.

I think we are trying to keep things in balance as best we can and be very candid and honest with the people in our community about how that money is raised. To a lot of us, this sounded like a bit of a subversive activity to get some money, depending on how you apply it. I think it was in opposition to the kind of relationship we are trying to develop or trying to maintain with our community at this time.

The Chairman: I agree it is a good brief, but it is based on the supposition that the price of housing is going to go up, which is one I do not accept. But we do not have definitive reports either way on that. I personally believe very strongly that in our region the cost of housing is market driven, that it is not driven by the price of lumber or by the price of labour and it is not driven by the \$8,300 or \$8,400 lot levies that are there at the moment, but we could debate that on into the night.

We have gone well beyond our time. You have, as usual, a very brief supplementary statement, Mr Haggerty.

Mr Haggerty: I just want to bring to the attention of the members of the school board here that I am looking at the lot levy for 1987 and the developers' contributions. It says the city of Waterloo has \$5 million in reserve and Kitchener has \$6 million in reserve. They have probably been into lot levies for the last, maybe six or seven years. If the school board had had access at that time, you could probably have had the same reserve fund now so you would perhaps not have to build on those 267 portable classrooms.

 $\underline{\mathsf{Mr}\ \mathsf{Jackson}}\colon\mathsf{Five}\ \mathsf{million}\ \mathsf{dollars}\ \mathsf{and}\ \mathsf{one}\ \mathsf{cup}\ \mathsf{of}\ \mathsf{coffee}\ \mathsf{will}\ \mathsf{get}\ \mathsf{you}$ one $\mathsf{school}.$

Mr Haggerty: I am saying about the last 10 years, though. There is revenue there if you look at it. We have had witnesses appear before us here saying the lot levies should include the soft services such as fire departments, libraries, library books and all this. Really, in the growth-related areas, is not the school system part of it?

The Chairman: I think we can continue that debate on into the hallways and into the night. I really do appreciate your brief. I appreciate your coming and presenting it to us. Obviously, you have generated a lot of thought. Thank you and good luck.

There will be a subcommittee meeting tomorrow morning at 9:30. That is here. Thursday's meeting will be in room 151.

The committee adjourned at 1715.





STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

DEVELOPMENT CHARGES ACT, 1989

WEDNESDAY 30 AUGUST 1989

Morning Sitting



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Witnesses:

From the Urban Development Institute/Ontario: Winberg; Jack, Chairman, Land Interest Group Nelson, Fraser, Treasurer
Matthews, Haydn, Vice—President

From the Municipality of Metropolitan Toronto: Tonks, Alan, Chairman Peatch, Jane, Senior Corporate Planner Richmond, Dale, Chief Administrative Officer

From the Metropolitan Separate School Board: Lofranco, Michael, Chairman Meneguzzi, Peter, Deputy Director of Education and Treasurer

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 30 August 1989

The committee met at 1008 in committee room 2.

DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

The Chairman: I call the meeting to order. The first item on the agenda this morning is the presentation of the Urban Development Institute by Jack Winberg, chairman of the institute, and others. Welcome. Mr Winberg, perhaps you could introduce the people who are with you. I can indicate that we do not have a presentation for 1030 and we understand that we may go over some; there has been some suggestion that we take a short break before 11, though.

URBAN DEVELOPMENT INSTITUTE/ONTARIO

Mr Winberg: To my right is Haydn Matthews, vice-president of the Urban Development Institute/Ontario, and to my left is Fraser Nelson, the treasurer of the organization. I am the chairman of the land interest group that is responsible for dealing with issues such as this on behalf of the UDI.

The UDI is grateful for the opportunity to address you on this very important piece of legislation that is going to affect our industry and particularly the price of housing that will be delivered in the future. If the members of this committee were not aware before you started sitting 10 days ago, I know you are now aware that lot levies and development charges are a very complex and controversial issue.

We submit that the complexity and controversy are best understood if you consider and look at Bill 20, the Development Charges Act, as it really is, and that is taxation policy. It is a tax bill that you are here considering.

In the most direct of terms, Bill 20 authorizes, through formal legislation, the further shifting of the financial burden of educating this province's youth and accommodating the production of shelter, together with other services, from provincial revenues and municipal property taxes generally to the new home buyer. Traditional policies of having universally enjoyed benefits being paid for universally is being eroded by the policy of Bill 20. The traditional approaches to debt financing and long-term financing of major infrastructure costs and the huge capital costs involved in providing school accommodation are being abandoned.

What Bill 20 says is that the province will see to the lightening of the provincial and municipal property tax load of the mature and well-established members of the province. It says that the youthful new home owner in Ontario can and should shoulder more debt in his first and second mortgages. The bill, particularly with respect to the education charge, will expose the underrepresented young home buyer to a new kind of tyranny. What politician, trustee or council member, already chastised by the existing ratepayers for high property taxes, particularly the school component, will resist the

opportunity to designate as many costs as possible to be paid out of the levy? Many charges that are now regularly paid for out of property tax or provincial tax revenues will be charged through the levy. Political expediency simply demands it.

The implementation of Bill 20 will not accelerate or ensure the installation of necessary services or other infrastructure. It will not see one school built any faster or any better than under the existing regimes. Bill 20 simply replaces one source of capital with another.

Bill 20 will undoubtedly increase the cost of housing. Notwithstanding the statements to the contrary, this is a going to be a cost that, if it can be passed through, will be passed through. The cost of living in the greater Toronto area is already one of the highest in the world. Bill 20, particularly the education component, will ensure that the greater Toronto area retains this high standing. The fiscal and tax policies articulated in Bill 20 are grossly inconsistent with providing affordable housing in this province.

We live in the wealthiest province in Canada. We are now in our seventh year of historical economic growth and wealth creation. You would think that at a time when the province has enjoyed windfall revenues, windfall increases in taxes, that we would be seeing a more magnanimous government with respect to the devotion of funds and capital to infrastructure, growth and education. Everyone in this province benefits from growth; the healthier our economy, the better it is for everyone. Yet, what do we see? We see Bill 20 coming at this time, at the end of this cycle, where the province is saying: "No. We are not going to pay for that any more; it is going to come on the back of the home owner."

In case it has not already been apparent, UDI very strongly disagrees with the policies and principles behind Bill 20 which envision this continual shift of the financial responsibility for growth. We are most concerned that innovative approaches to capital formation for school purposes are not at all encouraged by this bill.

We understand the political and fiscal realities involved in this legislation and we will not dwell further in our submission with these issues. Indeed, with respect to development charges, part I, and front—end financing, part II, we are quite pleased that order will be brought to this world of levies and front—end financing and that the uncertainty which has characterized this area in the past will be diminished considerably. After all, UDI has worked for many, many years with the province and the municipalities to try to obtain legislation to deal with the process and procedures by which levies are charged.

With the policy debate being over—we assume it is over, unless the committee wants to surprise us and recommend something other than the implementation of the bill as far as the policies are concerned—we are going to work, and we want to work, with those involved to ensure that implementation is as effective and workable as possible. The following recommendations and comments that we make are given with that in mind.

As the member for Yorkview (Mr Polsinelli) advised you on 13 July 1989 when he introduced the bill to you, the bill with respect to parts I and II is the product of the discussions that have been held over the years. The discussions did not end up in unanimous agreement as to what the Development Charges Act should say but the issues were clear and the issues were clearly put before the government drafted the bill. What is in the bill represents

very serious compromise on all sides with respect to the issues pertaining to development charges. The Urban Development Institute is not happy that everything is leviable.

We know, having been aware of the submissions that have been made to you by the municipal representatives, the municipalities are not entirely happy with the bill. To me, this sounds like a very good compromise having been achieved, both sides are a little bit unhappy.

I urge you, in considering the submissions that have been made, to resist the temptation to change critical issues that have been resolved through the negotiation process. I will raise only one at this time and that is the definition of "capital costs."

I know the municipalities have all asked that vehicles, fixtures and equipment become leviable items. We say to you that they should not be, for very sound reasons, which I can deal with later.

We turn to page 4 of our brief and I can take you through our very specific recommendations with respect to the bill and ways in which we think it can become more workable and more effective.

The first and most important principle of levy legislation for the development industry and, we think, for the public at large is accountability. Much criticism has taken place in the past that levies were collected and then were spent for purposes other than the building of infrastructure or costs that claimed to be the basis for the charge.

We welcome the requirement in section 16 which requires the maintenance of specified reserve funds by a municipality for the moneys that are collected by means of a levy and for the subsequent reporting on an annual basis of how those funds are collected and how they are spent.

However, when the drafters of this legislation put together section 16 and particularly subsection 16(2), they looked to the Municipal Act and drew upon those sections the manner in which reserve funds are to be collected. I guess traditionally a municipality was allowed to set up a reserve fund to build a project and then if, lo and behold, the project did not come to be, the municipality could spend that money anywhere else.

With respect to levies and development charges, we think the discretion to spend moneys collected by way of development charges should not be that broad. If it is collected for development charges, it must be spent on development charges.

Therefore, with respect to the incorporation by reference of subsection 165(4) of the Municipal Act, which allows a municipality to spend a reserve fund on anything, that ought to be deleted from the act. If for any reason the project goes awry, we know there are going to be other projects that will come up during the time period that a levy bylaw is in force that it could be spent upon.

We have no objection to moneys moving around from reserve funds which were collected for a road but are being spent on a sewage treatment plant. We do not want them spent on carnivals and on other expenses that municipalities might decide to incur. Recommendation 1 is directed to that.

With respect to the certainty of the amount of charge, one of the

biggest problems the legislation was hoped by all parties to address was the fact that you went to bed one night having negotiated a purchase and sale transaction only to find out at 1:30 in the morning that the council of your municipality had raised levies that night by 25 per cent. There was no control, there was no notice, there was no way that the marketplace could properly respond or react to the levy issues.

Indeed, one of the principles that we see in the act is that to the extent that is possible levies should be fixed for five years, subject only to indexing with respect to costs. However, when you look at the legislation closely, you will see that the legislation permits the levy to be increased several times by amendment over five years.

When one looks at any particular piece of land and the levies that ought to be borne by it, I think it is clear that when a piece of land is designated in an official plan and proceeds through towards subdivision approval or condominium approval or, in fact, rezoning, the services that are required, the roads that are going to have to be in place to get to that land, the drinking water for the people who are going to live on that land, those are all known. A municipality should know what it has to do to service that subdivision.

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Therefore, it is the submission of the Urban Development Institute that once land is approved for development, the municipality must then be in a position to know exactly what it is going to cost, within reason, to make that land available. We say that at the time of the approval under subsection 3(1), once you get your rezoning and you get your subdivision or your condominium, once you are approved through the Planning Act and you are then in a position to lawfully sell your product, you should then have your levy fixed at that point in time.

What I say is that, yes, it is correct and I think the legislation correctly states that obtaining a building permit is the time to collect these levies because that is when the use actually commences, but unless there is a very unusual delay between the time of an approval under subsection 3(1) and the obtaining of a building permit, between that time period the levy should be fixed subject only to indexing.

For example, if we get a plan of subdivision approved today and go and sell it tomorrow, the new home owner is going to say, "What is my price going to be, because I've got to go out and arrange a mortgage?" If we do not know that our levy is fixed, I can say to you that the development industry will endeavour to put into our agreements of purchase and sale, as already exists in many cases, "The developer or the vendor pays the levies in effect as of the date of the agreement of purchase and sale" and you're going to have to pay all the levy afterwards. If the new home owner knows that the levy is fixed for the time period that he is dealing, he can go out and arrange his financing accordingly.

To ensure certainty and to be fair to both the municipality that has planned the services and has planned to spend the money, and as well to the people on the other side who are trying to have certainty with respect to costs in this marketplace, we say on page 6, recommendation 2A, that section 9 of the bill should be amended to require the development charge amounts payable in respect of land subject to approval be fixed, subject only to indexing for a period of three years following subsection 3(1) approval; if

the levy is not paid within three years, development charges in effect at the time of the building permit application should then be payable.

So you get an approval, if you do not get your building permit in three years, you pay the higher levy but if you do it within three years or you prepay the levy, which is one of the other recommendations, then your levy has been fixed.

Under recommendation B, we have section 9 to be amended to allow for payment of development charges in contemplation of or following a subsection 3(1) approval and before obtaining the building permit. If levies are so prepaid, no further development charge or increases in development charges shall be payable at the time of the building permit.

Recommendation C: As part of part IV, the transitional and general provisions of the bill, and as an amendment to section 14, the act should state that once levies are paid in full with respect to a piece of land, no further development charges shall be exigible unless subsection 15(2) circumstances apply. That is, if somebody comes back and asks for another approval that increases density or increases the need for services, then they can have a further levy. The principle is that once levies are paid, they are paid for ever and you cannot come back again.

Our recommendation C relates to the certainty of charge; that is, knowing that all charges with respect to development are going to be taxed or taken under the process of Bill 20. Today, out in the field with respect to the levies, you may have a subdivision agreement and get charged with levies there. You may come back for a site plan agreement or a development agreement or be involved in a rezoning. There are a number of ways and a number of different forms of agreement that take place by which moneys are paid to meet development charges. We say that everything should be consolidated under the development charges bylaw, and really that is what our recommendation 3 is directed to.

Recommendation 3A: Under section 42, the bill says that you cannot amend your levy policy until you have brought yourself under the new procedures of Bill 2O. You should be aware that many municipalities do not pass bylaws to charge levies; they pass resolutions. I do not mean to be technical but I think that will be sure to cover off so that we do not have municipalities passing resolutions that certain charges be paid to avoid the legislation.

To ensure the development-charge-type charges are all imposed and collected in accordance with Bill 20, it should be amended to clearly state that no charge with respect to any development may be imposed unless the terms, provisions and requirements of this act have been complied with.

You will note that under section 43 of the bill today, the only prohibition is that councils shall not seek in subdivision agreements to exact a development charge. As I say, with a rezoning application there is no section 50 or 52 agreement but maybe a development agreement. Section 43 should make it clear that any kind of request for development charges has to be in accordance with the act.

On page 8, proper credits, we are somewhat concerned that under section 14, again you are only to get credit for payments you have made under section 50 or 52, which are the subdivision sections of the Planning Act agreements. We would like section 14 to be broadened to be sure that if you paid it under

some other kind of agreement with a municipality, you will still get credit for it.

Under our section E, we say that the process is to continue in spite of an appeal. One of the other major concerns the industry has had with respect to the levies in the past was that if a developer in a municipality could not come to an agreement as to what amount of levy should be paid, the municipality would simply say: "We're not going to process your plan any further. Take us to the municipal board." A year would go by and a very expensive levy fight would take place and the land would sit idle, notwithstanding the fact that it may have been presold and there may be many home buyers waiting and anxious to get in.

One of the things that is implicit in Bill 20, as was agreed by all parties at the negotiations with respect to this bill, is that you may have a fight over levies but the development does not have to stop. Pay the levy the municipality has asked without prejudice to your right to appeal or complain about it.

Our recommendation 5 simply asks that sections 5 and 8 be amended to clearly state that the development approval under subsection 3(1) is to come into force and that permits are to be issued notwithstanding or without prejudice to the rights of a party or a developer to complain or appeal the levy to the municipal board.

On page 9 of our brief, the lien or charge upon the land, section 11—there is a similar section in the education portion of the bill—allows for the development charge bylaw to be registered on title. We see that section 9 of the bill prohibits the issuance of a building permit unless development charges are paid and provides the municipality with very complete protection that new development is not going to occur and building permits will not be issued without the charges being paid.

Somehow the act has also envisioned the unlikely and exceptional circumstance, we say, where a levy has not been paid or for some reason a building permit was not required. Section 12, which allows the municipality to add the levy to the tax roll of that particular property, ensures that if that property created a need for services and was otherwise chargeable under the levy, it would be paid.

We should also note that the proposed regulations prescribe a very elaborate public notification process to ensure that the public is aware of the charge.

Registration of the levy, we say, will not add one bit of benefit or value to making people aware of the levy or to providing the municipality with the opportunity to collect the levy. What it will do is create a tremendous amount of work for land registrars every time a levy is amended. Every time it is indexed, the registrar is going to have to deal with it, the clerk is going to have to deal with it, every purchaser and seller of every piece of land is going to have to deal with it. Lawyers are going to have a field day with it.

We do not see any value being achieved by registering development charge bylaws on title and we say that provision should be deleted in its entirety. We will say the same thing about the registration of education levies as well.

Section G of our report is simply directed to being sure that it is land that bears the need for services and that it is land that should be charged

with the payment of levies and not owners. Section 15 speaks in terms of "an owner." It does not say "an owner or predecessors or successors"; it says "an owner." We are very concerned that one owner may come on and apply for the official plan and the zoning, and a second owner may come along and apply for the subdivision and a third owner may apply for the building permit. Ostensibly, the way the act is now written, three development charges could be imposed.

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Our recommendation 7 is simply to ensure that multiple development charges are not imposed upon the same piece of land irrespective of whether the owner remains the same at the time of each application for approval. The wording of section 15 should be recast to make it clear that only one development charge is leviable in respect of land that is the subject of more than one approval under subsection 3(1), unless of course each successive application asks for more density or more uses that will increase the need. I think that is the intent of the bill and we would like to see it clearly articulated.

Paragraph H of our brief asks for the flexibility to be added to the bill to allow security to be posted in lieu of cash. There are many times and there are many cases, when you get into the intricacies of a development, that a municipality wants to know that the developer or the owner will pay the money, but the municipality has no immediate need for it and just wants to be sure that at the time the building permit application comes in, the money will be available.

Our recommendation 8 is very simple: To allow the flexibility to municipalities to agree to accept security instead of cash will make matters much easier to go. As I say, with respect to affordable housing, if a developer can put up a letter of credit instead of having to put up cash, his costs will be less and hopefully he will able to share that as matters proceed with respect to the price of his houses.

With respect to notice provisions, it is also very clear in the act that persons or organizations other than owners of land at any particular point in time may participate in the development charge process before the municipality. The regulation should require that notice of public hearings in respect of a development charge bylaw be given to those who have requested the clerk of a municipality in writing for such notice.

The draft regulations do not provide for such notice before the bylaw is passed; they do provide for such notice afterwards. If I may just dwell on this one for a moment, as the experience with respect to development charge levies accrues, there are going to be organizations such as the UDI that will have been involved in many of them.

If a small community imposes a levy, it may well be that UDI may not have a representative up there at the time who owns the land and is going to bring it to our attention, but we will want to participate on that to ensure consistency, to ensure that this act is being applied consistently and to ensure that developers and municipalities are treated the same across the province with respect to the application of this act.

The way things are written now, UDI could write to the clerk of every municipality and say, "Please give me notice." What will happen is that we will not be involved in the discussion part of the development of a

development charges bylaw, but we will have 20 days, after we receive a copy of a bylaw that has already been passed, to participate and to make our comments. That is likely to end up in an appeal to the Ontario Municipal Board, which we would hope could be avoided through proper discussion. That is the purpose of our recommendation 9.

With respect to front—end financing and part II of the bill, we are concerned that the scope of the front—ending, as contemplated by the bill, is too restricted. Really, there are three points here.

First, the definition of "benefiting area" requires that all lands that may be considered for front-ending agreements be within an approved official plan. Further, a "front-end payment," as defined, must only be, in effect, the prepayment of a development charge, and further, that a front-end service means only hard services that could be amenable to the imposition of a development charge.

Given our experience in front—ending agreements to date, benefiting lands are almost always in an official plan area. However, there will arise situations when, for example, a storm water system or a sewage system is going to be developed or designed on a watershed basis that will not be coincident with the official plan at the particular point in time.

We know, for example, that under the new housing policy statement promulgated by the ministers of Housing and Municipal Affairs over the past two months, municipalities are going to be asked or directed to plan for residential growth for 10 years and to plan for services for 20 years. We will know at a particular point in time what areas are designated for now. We will also know what areas are likely to be designated for the future so that when development gets into the last phases of the 10-year period, for example, we are already going to be wanting to front-end for the areas outside the official plan that are not yet approved.

We would like the definitions in the front—ending portion to accommodate that and allow municipalities and developers to agree that the next area can be front—ended, or to put it another way, you will put in the service today to accommodate the development of the area next door and when it develops in the next time frame, it would repay to the front—ending developers or to the municipality, through development charges, the portion of costs that have been so occasioned.

We know that many municipalities have been concerned about leap-frogging and of premature development occurring as a result of front-ending. We say to them to compromise. Our position at the discussions was that if developers wanted to front-end, they could force a municipality to front-end. The drafters of the bill have said that no, the municipality has to be a consensual partner to front-ending, so that as long as the municipality agrees, you can front-end. If the municipality agrees that a particular piece of land can be included for front-end purposes, whether it is in an official plan or not, that should be a sufficient safeguard.

Further, all matters that could be and indeed currently are the subject of front-ending agreements are hard services and would be amenable to a development charge. However, for example, an internal service in a subdivision is not something that is going to be chargeable by the development charges broadly applied across the municipality. But if I own 100 acres in subdivision A, my neighbour owns 50 acres and the services have to come through my land,

then the municipality will properly say for me to oversize to accommodate my neighbour's $50\ \text{acres}$.

Today, in a front-ending agreement entered into with the municipality, I do that oversizing and the municipality collects from my neighbour when he develops for the benefit that I have created for him. The act, as drafted, would not allow that to occur. That is why we ask for broadening of the definitions that are suggested.

There are other things that probably would not be development—chargeable and therefore not front—endable. One example is the acquisition of an easement. It is not a hard service. It may be an easement for any kind of municipal, provincial or other utility that is necessary in order to accommodate development. It costs money and it would not be front—endable.

It is similar for a pumping station or the channelization of a stream or a river bed. These are items that we say should be front—endable if a municipality agrees that they are front—endable and we submit that the act should accommodate those kinds of changes.

I then have, under recommendation 10(A) to (G), eight specific suggestions to deal with the drafting of the front—ending provisions to which we ask that you give very serious consideration. As well, one point that I did not mention, with respect to the costs of front—ending, is that there are costs that are assumed by developers. On engineering studies and on work to be undertaken, these are proper front—end costs today in all the municipalities that accommodate us by front—ending. We think the act should allow for those kinds of costs to be accepted by the municipality.

Today, when you look at section 20 of the bill, it only contemplates the municipality's costs being front—ended and we would ask that relief be given to those provisions.

On page 16 under paragraph K of our brief, proceeding in face of objection, section 21 of the bill sets out an elaborate scheme for the rights of owners of lands who one day are going to be charged a front—ended payment, but who are not being asked to make any payments today. They are allowed, under the act, to apply to the Ontario Municipal Board to appeal the agreement coming into force and they may well have quite proper objections that should be considered.

However, there are many cases today where a series of developers have to get together for front—ending but where one small developer, who may have some ulterior motive, says, "I'm not agreeing," and holds up everything.

In the belief and expectation that the parties to a front-ending agreement are acting in good faith and the agreement will speed up the development of land and the provision of housing, we would ask that this committee give consideration to amending the act to allow for an agreement to come into force subject to a change by the municipal board, so long as the parties to the agreement are prepared to accept the risk that the board may change the agreement.

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We say, therefore, by way of recommendation, to avoid delay and to overcome the potential for objection to front-ending being employed for improper purposes, section 21 should be amended to provide for a front-ending

agreement coming into full force and effect in spite of an objection by an owner, so long as all the parties to the agreement agree in writing to be bound by any change that may be ordered by the Ontario Municipal Board.

Under paragraph L, the timing of payments by benefiting owners, section 25 of the act requires a benefiting owner, who did not pay at the beginning but is now being asked to pay at the end of a front-ending agreement, to pay his levy as a condition of approval. Everywhere else in the act, you pay your levies at building permit time. When that next piece of land outside the urban boundary at the time the front-ending agreement is done, when he comes forward for his official plan, he is going to be asked to pay the levy then, even though that may be four years in advance of the time he gets his subdivision registered and his building permit application made.

Therefore, we say under recommendation 12 that benefiting owners should be treated no differently than owners who agree with respect to the timing of payments and that clause 25(a) should be amended to allow for security to be required as a condition of approval, rather than absolute payment.

With respect to indexing of front—end costs, we also say that the bill allows for indexing of general development charges. In principle, we see front—ending payments as equivalent to development charges. We see no reason why front—ended payments and front—ended sums should not be indexed similarly.

 $\underline{\mbox{The Chairman}}\colon \mbox{\bf I}$ just want to make sure you leave some time for questions.

Mr Winberg: I think the rest of that is self-explanatory.

With respect to the education component, I do not know that I can overstate the real concern the development industry has with respect to this proposal. We accept the proposition that urgent and critical problems exist with respect to the provision of capital for school facilities in the province, and particularly the greater Toronto area.

We are of the opinion, however, that the problems relate to more than just funding. Included are the standards by which schools are provided. Everything from the pursuit of absolute ownership of facilities, to the retention of the same after their usefulness has ended, to the amount of land required, to a very expensive standard of construction, all must be examined and solutions that will ensure high-quality education with reduced need for capital must be developed.

Part III of the legislation is little more than an elaborate legislative scheme to allow school boards direct access to a new source of capital. The proposed bill is virtually devoid of any encouragement for the Ministry of Education or local school boards to pursue any alternatives to the traditional method of obtaining school facilities.

Subsection 34(4) is the only subsection that even contemplates an alternative to present funding schemes. That section, as I know you are aware, simply says that the school board and the minister can approve an alternative. That is the long and the short of it.

It is unclear in the bill whether a lease of a school facility or of land for schools is even permitted. The bill does not contemplate the situation that often occurs today of several people getting together to provide school facilities. The proposed bill does not contemplate the very

real possibility that an owner who makes land or land and buildings available would be entitled to any more by way of credit than the education development charges he would pay. School facilities are infrastructure that should be amenable to a front—ending type of agreement whereby one who provides the facilities may obtain some kind of reimbursement from others who avoid that obligation.

The Urban Development Institute believes the leasing of school sites is a concept the time for which is long overdue. We say the legislation should require school boards to lease at least a portion of their school facilities, say 40 per cent. As developers, we are confident that leasing arrangements would allow for schools to be built and ready for the new home buyer and his children shortly after they move into the house, not three to five years later, which is now very often the case.

We also say that consideration should be given to returning to two-storey elementary schools, thus reducing the amount of land required for an elementary school and also the costs thereof. Schools should also be considered for inclusion in mixed-use developments.

The issues surrounding schools and the alternatives to providing capital for them are complex and require a thorough and co-operative examination. Such a process has not yet occurred and cannot occur without the very direct encouragement of the province and the government. We are working to accomplish that. We would like to sit down and work these problems out before the development charge levies come into effect.

There has been no impact statement at all as to what the development charges are going to do. When they were announced in the green paper, we were told that 15 per cent of the province's share of school capital was going to be transferred to the levy. We now see a bill that allows 100 per cent of those costs to come our way.

We say the impact of this is unknown and it is very dangerous to proceed to impact the housing market and the price of housing, as this bill will allow. So we ask for a deferral of Part III, either for 60 days to allow discussions to occur or until those discussions take place and a report has come back.

We see no reason at all for commercial property being part of the school levy. Commercial development does not necessitate the need for schools. If there is to be any rational basis for a charge or a tax and a use, there is none there. So we say that the commercial properties should be excluded and let the school boards and municipalities bite the bullet of letting people know through their levy what it really costs.

Recommendations 16, 17 and 18 are simply similar recommendations that we made previously with respect to development charges that relate to the mechanics of the legislation. We most respectfully submit the foregoing and are happy to now answer any questions.

I should point out to you that we have one appendix we have added. We have taken the liberty of reviewing the brief of the Association of Ontario Municipalities to you and of telling you which recommendations we agree with, which ones we have no comments on and which ones we strongly disagree with. I am not going to take more time in the committee to go through these, but we ask that you consider them.

As well, in appendix 2 we have summarized all of our recommendations in five convenient pages for your benefit.

The Chairman: Thank you very much. That is very helpful. Before we start questions, we have had other submissions from the development industry. I wonder if you could explicitly tell us whom you represent.

Mr Winberg: Yes. The Urban Development Institute has about 200 members, people in the land development business and the consultants and lawyers and other professionals who support the land development industry. In many cases, our members are people who buy raw land and take it through official plan, zoning and subdivision and sell individual lots to owners.

In many cases, we have members who do that and also do commercial—industrial development. We have people who are simply industrial developers who take land that was committed to one use and convert it to industrial use.

We have many home builders in our organization. We find that many of our home builders are members of both our organizations, with respect to their operations that are related to bringing land on to the market to be sold to a builder. We find they are members of both our organizations.

We are the only organization, I think, who represent exclusively the people who are involved in the process of taking land from essentially the farm state to the state where a house can be built upon it.

Mr Ferraro: Thank you, gentlemen, for your presentation. We could spend all day talking to you fellows. Leading up to the question I have, on page 19 you say in your third paragraph, "Part III of the legislation is little more than an elaborate legislative scheme to allow school boards direct access to a new source of capital."

Mr Winberg: Yes.

Mr Ferraro: By way of comment, gentlemen, I just want to make it perfectly clear there is no attempt on the part of the government, quite frankly, to hide the fact that it is an attempt to provide more access of capital. The verbiage there makes it appear as if we are trying to hide it. I just want to make it perfectly clear that is one of the general intents of the legislation.

On page 2 of your presentation, very tough: "The implementation of Bill 20 will not accelerate or ensure the installation of necessary services or other infrastructure. It will not see any school built any faster or better than under the existing regimes." On what basis do you make that statement?

Mr Winberg: As I say, all we are doing is moving the provision of money from the provincial ledger to the ledger of the new home owner. We are not making any more money available quantum—wise. Certainly until the act comes on stream and the charges come on stream, you do not see the money itself, even though it is the same amount, coming available any faster.

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Mr Ferraro: I disagree totally with your assertions and reinforce that by saying that we have had some submissions say there is no evidence, no guarantee—and I think you would say this—that the imposition of lot levies for educational purposes would add to the price of the home and indeed the market would dictate that.

From a personal standpoint, I accept that in some cases, yes, that will

happen, but to suggest that even though we have quadrupled our capital outlay and given to school boards access to millions of dollars in increased capital funding for their purposes in areas of high growth, which also benefits developers, schools will not be built any faster, in my view, is totally wrong. That is my opinion, I guess.

Mr Nelson: I would be glad to comment and will be here tomorrow morning on a very specific case in the city of Brampton, where in fact the school board has objected to our draft plans through lack of funding from the province. The school board will readily admit that the levy is not the solution to providing schools.

<u>Mr Ferraro</u>: I suggest that I could probably present a school board that would say, "If we had access to levies, we would be building schools faster" too. I do not disagree that you may have a case—by—case scenario, but I think that point is perhaps too argumentative.

Mr Winberg: Perhaps you could answer one thing. We are proceeding on the basis that we are not creating any new money by way of a levy; we are transferring money from where it used to be provided by the provincial government. You are now saying, "We're not going to be giving that much money, but we're going to let you raise that much money by way of a levy." I would like to understand—this process can work both ways; we inform you and you inform us—where the new money is coming from.

<u>Mr Ferraro</u>: The new money comes out of the impost, from the new purchasers, very clearly. The provincial money is constant. The percentage is decreasing, no question, even though the aggregate amount is—but if you pay a lot levy for school purposes and the school boards indicate that they are going to build a school there and have to use that money to build that school, if they have access to that money and their only other recourse is to have assessment increased on the mill rate, then I do not know. It appears to me it is a hell of a lot easier to build a school if you have the funds there.

Mr Matthews: But it is not up to the school boards to dictate when that funding will be made available even to that school board, because the control will still be with the province and with the Ministry of Education. They are still retaining the same rules, the same requirements of so many pupils in place prior to the approvals, etc, so we do not see nor is there any encouragement in this act that will permit schools to be built any faster.

<u>Mr Winberg</u>: If I might just add one more point, as we understand it, aside from the capital requirements, it is also the provincial government that contributes very substantially to the operating budgets of schools. That is why we suspect the ministries have retained absolute control over when the levy moneys are spent, because they do not want the schools built any faster than their budgets will allow them to fund the operating expenses.

So with the greatest of respect, we do not see it. We would like to be $\ensuremath{\mathsf{wrong}}$.

 $\underline{\mathsf{Mr}\ \mathsf{Ferraro}}\colon \mathsf{I}\ \mathsf{respect}\ \mathsf{what}\ \mathsf{you}\ \mathsf{say},\ \mathsf{but}\ \mathsf{let}\ \mathsf{me}\ \mathsf{go}\ \mathsf{on}\ \mathsf{to}\ \mathsf{a}\ \mathsf{couple}\ \mathsf{of}\ \mathsf{other}\ \mathsf{questions}.$

I appreciate the Urban Development Institute's-

The Chairman: Is this a new question?

Mr Ferraro: Yes, it is.

The Chairman: Since we are running out of time, I wonder if we could move on and, if there is time, come back to you.

Mr Ferraro: Very good.

 $\underline{\text{Mr Reycraft}}$: I have a number of questions. I realize our time is limited, so I will proceed through the questions and you can cut me off when you think I have had my share of the time.

First of all, just a comment with respect to Mr Matthews's last response: Generally, the operating costs to a board of education are higher when kids are in portables than they are when they are in a permanent school, and the ministry's share of funding is based on the number of students, regardless of where those students are housed, so there is no saving to the Ministry of Education if it postpones the construction of a new school. Quite the contrary.

My first question deals with your recommendation about not expanding the definition of "capital cost." As I am sure you are aware, we have received requests from a number of municipalities that we do just that, expand the definition of "capital cost."

The argument that has been put before us is that it is not logical to say that lot levies should be used to fund the construction of a new firehall but not be allowed to fund the purchase of the trucks to go in it. I am interested in your reaction to that argument. Where is the logic in saying that a municipality should be able to use lot levies to build the firehall but not to purchase the trucks to go in the hall?

Mr Winberg: To properly answer the question, I have to give you a little bit of history. The development industry has never been unwilling at all to ensure that the hard services, such as the sewers, water and roads, be paid for by way of development charges. In other words, we say it is the costs to bring land on stream that are properly leviable; I have a piece of land here and have to get roads, water and services to it.

Once I put people in it, I am not talking about land and the costs occasioned by land any more; I am now talking about the costs occasioned by people. People are the ones who make demands on fire stations, for libraries and schools and people are taxpayers. They pay on the basis of their assessment, like everybody else.

When we talk about putting books into a library and asking the new home owner to pay for his books, we do not know who is going to that library and municipalities quite properly do not restrict residents in this area to going to this library. We do not know which fire that fire truck is going to go to. But most important, the fire station and library do not arrive in a community for at least five to seven years after the community is built. By that time the people who bought those houses have paid taxes, carried the debt of that municipality and contributed to the cost of everything.

It is our respectful submission that when you get to the kinds of things that furniture, fixtures and equipment deal with, we say that those are things that are properly chargeable to the general taxpayer in the municipality. You have to draw the line somewhere as to how much the new owner, who is the unrepresented member of a community, can be asked to pay. We say you draw that line at furniture, fixtures and equipment, because it is virtually uncontrollable. We know what it is going to cost to bring land on stream and make it developable.

Once you get the people involved, let the people pay through their taxes. Let them contribute to what the standards are going to be and go to their councils and say: "Yes, we want garbage pickup" or "No, we don't"; "Yes, we want more libraries" or "No, we don't"; "Yes, we want more arenas" or "No, we don't" and, in terms of their operation: "We want more skating. We want the hours longer." Those are things that people deal with. Let's leave the furniture, fixtures and equipment, which respond directly to that, on the general tax roll where they can be accounted for and the people can know what they are getting. That is where we come from on that point.

 $\underline{\text{Mr Mackenzie}}\colon \text{My question is very brief, because it has largely been answered in the answer just given.}$

One of my difficulties was with the hardness of your position on the definition of hard services. While I recognize all the arguments you have made, I come back with the argument which effectively has been made to us, that the firehall is probably less important even than the fire truck in some cases. I am not sure just where you end the definition of hard services. I have some difficulty with the tightness of your position in terms of the definition of hard services and capital costs.

Mr Matthews: As you are probably aware, this section of the act has been negotiated over a period of years and these were always the contentious issues. The development industry has attempted to define even further the capital costs and the contributions made by new growth to these various items. It was a fairly major compromise on our part to have the general definition as there is now for development charges on capital costs for net growth-related items as it is here. We just felt that a line had to be drawn.

To open it up so that the municipalities can choose, within their existing levels of service, to charge for net growth-related items, we had to have a line and that was the line. The municipalities then had a choice for all the items, rather than even trying to define which items could or could not be leviable.

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Mr Cleary: Thank you for your presentation. It was somewhat different from some of the others we have heard. I had three questions, but two of them have already partially been answered. The only one I have left is, do you represent developers from all over Ontario, particularly from my own concern in eastern Ontario?

 $\underline{\text{Mr Winberg}}\colon$ In fairness, the predominance of the membership is based in the greater Toronto area, but we do—

 $\underline{\text{Mr Matthews}}\colon \text{We do have developer members in the Ottawa-Carleton}$ area.

Mr Cleary: And Cornwall.

Mr Matthews: No Cornwall. UDI is open to all members of Ontario. In fact, UDI Ontario is part of an organization that is UDI Canada. As the economy has changed, our chapters had been to the east. They had been to the west. We had chapters in London, Kitchener-Waterloo and Ottawa-Carleton. It varies with the economy and it varies as the development companies are active or not active in communities, but UDI Ontario has always been open to any person in the development industry within Ontario.

Mr Winberg: I should say that as the opportunities for the development industry move around the province, our members go there, so that—Mr Cleary, you are in Cornwall—I know that there are Toronto developers developing in Cornwall. To that extent, we do represent people who are working in your area but not as many of the home-grown developers as we would like.

Mr Haggerty: I am going to make reference to page 20 of your document, Mr Winberg. There is something there that I think sheds some new light on our discussions on lot levies. It concerns the proposals of leasing and school sites.

In the bottom paragraph, recommendation 14, it says that you are presently meeting school boards, and somebody had suggested a delay "for at least 60 days or until the completion of a working group study to allow developer groups, school boards and the Ministry of Education to meet and determine whether the alternatives and suggestions to address school capital financing can be accommodated and indeed encouraged by the bill as it goes forward."

You have indicated that you are meeting now with certain school boards and the Ministry of Education?

 $\underline{\text{Mr Winberg}}\colon Yes, \text{ perhaps I could ask Mr Nelson to answer that question. He is much closer to it than I.$

 $\underline{\text{Mr Haggerty}}\colon I$ would just like to know how far you have gone with your meetings with the different groups.

Mr Nelson: Certainly. It is two different situations. Specifically in the region of Peel where there are developers trying to develop 4,000 acres of a community known as Wellington—Sandringham, we are meeting with both school boards, not under the UDI umbrella but as developers. We have had approximately three meetings to date through the summer. They have given us some information as to what they think the levy will be and we have benefited from that because it was the first time we could see what the impact of the levy would be, based on 1988 figures.

In the region of York, under UDI, at the request of both the public and separate boards, developers have met with those staff people three times and in fact our next meeting is tomorrow morning at 8 o'clock. Again, their runup is to try to avoid any pitfalls that may happen in introducing a levy and automatically having an objection. Both boards are trying to work together with us to find out what our concerns are so that when they introduce a levy there are no surprises.

Ironically, one of the surprises that is there is the region of York board which has stood up and said, "There is no way we are going to pay market value for land." We have sat back and said, "That is the whole intent of the bill." But they have said: "Politically, it is not acceptable. We are not going to pay market value." So right off the bat we have a disagreement. Those are ongoing.

The Chairman: I have not been allowing any follow-up, but Mr Reycraft has convinced me that he has a very sharp quick question that is going to really get to you.

Mr Reycraft: Thank you, Mr Chairman. I will be brief.

Mr Ferraro: Excuse me, that is a good point. Mr Chairman, I think we should extend this considering

The Chairman: We do have other witnesses.

Mr Ferraro: I understand that, but I think the committee should consider it.

Mr Morin—Strom: I do not think we should. I think we have gone 35 minutes over the time requirement and we should get on to other witnesses who are waiting.

Mr Ferraro: Okay.

Mr Matthews: We were informed we had an hour's presentation, not half an hour.

 $\underline{\text{Mr Morin-Strom}}\colon \text{All the presenters have had half an hour. We have had 65 minutes at this point.}$

The Chairman: It was half an hour. There was a time slot free afterwards, so you have had more time than other witnesses.

Mr Morin-Strom: We have a very important group coming on right now.

The Chairman: All right. I think in the circumstances I will have to waylay your question, Mr Reycraft, but thank you very much. I would have liked to have asked you about the fact that you say the cost of housing is going up and why you would not want to have a lien registered against a piece of property, but we will not ask you that question. Thank you very much for your presentation. We will obviously consider it very carefully.

<u>Mr Winberg</u>: Thank you for your attention and co-operation. We would be quite happy to meet with any of your staff or to answer any follow-up questions that may come as a consequence of our presentation.

The Chairman: Okay. Thank you. Now we have the municipality of Metropolitan Toronto, which is indeed an important witness, and I appreciate your coming before us. Chairman Alan Tonks, chief administrative officer Dale Richmond and senior corporate planner Jane Peatch. If you would have a seat and make yourselves comfortable. Is there a brief that can be distributed?

Chairman Tonks: I believe it is going to be distributed.

The Chairman: Thank you.

<u>Chairman Tonks</u>: Thank you for introducing the chief administrative officer Dale Richmond and Jane Peatch, our senior corporate planner in the corporate planning division. I am glad to see that everybody is in a good mood. I was almost going to let the last deputation have part of my time, but I thought—

Mr Haggerty: That will be the day.

Chairman Tonks: I am going to be refraining from those kinds of-

The Chairman: Just be aware that we are a questioning sort of committee, so leave us time.

Chairman Tonks: I certainly will.

The Chairman: All right.

 $\underline{\text{Chairman Tonks}}\colon \text{ I certainly will. You will also appreciate if I leave the questioning and the answers to my two colleagues and I make a fast retreat out the door.}$

MUNICIPALITY OF METROPOLITAN TORONTO

<u>Chairman Tonks</u>: I appreciate the fact that you have had five days of hearings or whatever and that you have had people who are making representations to the bill based on how they infer that the bill is going to affect them. It is not our intention to review all aspects of the bill but to attempt to bring into focus those major components in the bill that are of direct significance to Metropolitan Toronto.

I think our interest is in attempting to clarify the terms of the bill, whereas it will be a useful tool in a much needed reservoir of mechanisms that local municipalities can use to stimulate development and also to take advantage of that development and offset the charges and costs that are concomitant with development.

We are also here to table our concerns to the education development charges and also to address the issues related to the legislation, as I said, that are of specific concern.

I do not think that some people appreciate, or perhaps they do appreciate, but forget the significance of one quarter of the population of Ontario being centred in Metropolitan Toronto.

The Chairman: We forget that.

Chairman Tonks: I think that sometimes we forget the significance of it. I would like to give you just some statistics that underscore that significant point. Building permits in 1988, 18 per cent of the value of all building permits issued in Ontario were issued in Metro; 29 per cent of the value of all commercial building permits were issued here in Metropolitan Toronto; 14 per cent of the value of all residential building permits were issued in Metro. In the first two months of this year 17 per cent of the total dollar value of all building permits in Ontario were registered here in Metropolitan Toronto for January and February, and 34 per cent of the total value of all commercial building permits issued in Ontario were issued in Metro in those same two months.

It is clear that a great deal of the development and redevelopment and replacement activity is occurring in all sectors in Metropolitan Toronto. The population projections in the next 10 to 15 years will largely occur, we hope, through conversions and infilling and so on. As a matter of fact, as you know, we have recently established a target of 2.5 million people for Metropolitan Toronto by the year 2011.

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What we are doing is, we are embarking on a very dynamic and aggressive approach to accommodating more people rather than attempting to hold the status quo. I think that this is important, because when you talk about the mechanisms that deal with building permits and that kind of building activity, you also have to know that if we are taking a leading edge in terms of more growth and development, we also need access to funding for new infrastructure and the replacement of old infrastructure, and it is a major concern to Metropolitan Toronto that any devices that we have, which have traditionally allowed us to raise these moneys, are not encroached upon.

We realize that the province has transfer responsibilities and equalization responsibilities for other parts of the province, but these should be balanced out against the clear recognition that an urban, highly concentrated form of development in Metropolitan Toronto also needs the financial capability of meeting its infrastructure and servicing requirements. That is our general theme.

I state that because—and I do appreciate, believe me, this opportunity to have some dialogue and input on this bill, because that did not occur with the commercial concentration levy. I do not mean to digress away from the focus of your committee's deliberations, but that commercial concentration levy was an intrusion into the area of what had been traditionally local taxing capabilities or fund-raising capabilities. We were concerned that with little dialogue, we were not able to reinforce our feeling that, as my first point stated, the province fully understood that when we are tampering with Metro's capability of servicing its growth and its population, we would find ourselves in the position where we are really at a disadvantage.

I would like to talk about Metro's position on the education development charges. For the past 10 years, municipalities, as you are aware, with provincial guidance, have been able to balance their capital expenditures against a requirement to make sure that their debt-carrying capability was within reasonable and prudent guidelines. We worked hard to retire a lot of debt that we had accumulated over the years and we have been largely in a pay-as-we-go situation. We have occasionally asked ourselves whether it has been worth it. We thought at the time we would be creating a more prudent and sound financial future by this pay-as-you-go philosophy.

Instead, what we think we have done is created an opportunity for the province to lean more heavily on municipalities by passing more and more of the responsibilities on to municipalities, by reducing transfer payments and by imposing greater conditions on those that continue. The financial position that we were attempting to create did materialize. However, through no fault of the municipalities, it has not produced the secure future that we thought we were creating.

In the midst of this situation has come along Bill 20, which has been introduced in the Legislature along with four other tax bills. What appeared two years ago to be a potentially valuable tool for municipalities to generate revenue has become, through the eleventh hour, introduction of the educational development charges, yet another intrusion by the province into what would be exclusively a municipal source of revenue.

We want to go on record today as being categorically opposed to the educational development charges because we see them as yet another intrusion into our limited sources of revenue. What the province has given on one hand it has taken away with the other. We would like to go just one step further. We not only oppose the educational development charges, but we call for the province to remove education from the tax base altogether.

I would like to underscore that. I wish members of the committee could have come and accompanied me through all of the area municipalities over the last several days to hear the deputations made by the public with respect to a market value—based reassessment. A continuing theme is that the present system is regressive, that any further attempt to implement market value—based assessment flies in the face of the inability for people to pay. Fifty per cent of the tax bill going to education, of course, compounds that problem.

education back to the province where it belongs and permit municipalities to use their traditional source of revenues to fund their traditional responsibilities. We would expect to see a corresponding reduction in transfer payments so that the outcome is revenue neutral for both levels of government.

With those comments, I would like to pass the balance of the presentation over to Jane Peatch and then we would answer any questions that you have.

The Chairman: I hope you will bear in mind our time constraints.

Chairman Tonks: How is our time?

The Chairman: Approximately 15 minutes left.

Ms Peatch: I would like to limit the comments today to those that we believe are specific to the metropolitan situation that you may have heard from other municipalities, but you may also not have heard. We want to be assured that we go on record as getting these before the committee.

This is a very important bill to Metropolitan Toronto, especially in light of the fact that we are facing some financial restraints and we look to this as a potential source of new revenues for us. We have considered this very seriously and our comments come from that vein of thinking.

Why Bill 20? When we go back and review some of the background documents, we see that Bill 20 is a response to issues raised by the private and municipal sectors to standardize the variety of practices related to development charges in Ontario. The background documents tend to indicate that the types of issues that were being raised at the time were out of new developments, developments that were occurring in emerging or growing communities. Metro is a bit of a different animal. We are predominantly a built municipality. Most of the development activity occurring within Metro is taking place in the form of redevelopment, which includes replacements and conversions. We have a very limited supply left of what we refer to as greenfield development.

Because the type of growth is a little bit different, I think, from the growth that you are seeing in new developments or new municipalities, the growth is less obvious in a municipality like Metropolitan Toronto. Perhaps also less obvious is the demands that the growth by way of redevelopments place on municipal services.

We believe that Bill 20 was not designed with Metropolitan Toronto in mind. For obvious reasons, then, it is not a perfect fit with the Metro situation. We believe the lack of fit is primarily related to the lack of clarity of definitions. In some cases, they simply do not capture some of our concerns.

Metro council has made a decision whether to impose development charges. Our purpose today in meeting before you is just to ensure that if this legislation goes ahead, we want to ensure that it does cover the types of needs that Metro has. We think that the types of recommendations we are making to the committee today and through our brief, which you will have copies of now, can be accommodated easily, as well as continue to meet the needs of the other municipalities which potentially could be using this legislation.

We have limited our discussions today to three primary areas. We touch

on many others in the report, but we want to table with you today three that are so fundamentally of concern to Metropolitan Toronto that we thought they could not go without being mentioned.

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The first is to clarify the definition of development. Because the term "development" is not defined in the legislation, we are concerned that we could be open to the challenge that development in fact does not include redevelopment. Again, by using the term "redevelopment" we are including conversions and replacements.

For Metropolitan Toronto, this is such a major issue and that relates to the fact that we have very little new development occurring. The usability of this bill for Metropolitan Toronto rests greatly on the interpretation of development in fact including redevelopment.

The way the legislation is written, we believe that it could be open to a challenge that development in fact was not redevelopment. The detail of that argument is within the report. I just want to touch on the issue to bring it to the committee's attention that it is such a fundamental issue for Metropolitan Toronto that we would request that you look at it and clarify within the legislation that in fact redevelopments are included, either by reworking that section or expressly putting in a definition of development.

Our second issue concerns boards. The legislation does not expressly include expenditures incurred by the boards. In fact, the definition of "capital cost" reads, "costs incurred or proposed to be incurred by a municipality." It is open to debate then, I would suppose, that a local board may not in fact be included in that and costs incurred by the municipality through the local board would not be included.

Again, this is a significant issue for Metro. We have police services, public transportation, flood control, recreation and social services delivered through boards. We do not offer those things directly.

We are requesting that the legislation be reworded to accommodate that, and this could simply be done under the definition of "capital cost" as "costs incurred or proposed to be incurred by a municipality or its local boards other than school boards."

A third area of concern for us is again with the definition of "capital cost" and in three major areas. The first is that we are concerned that the legislation unintentionally excludes growth—related costs that were clearly intended to be included. A second concern is that the exclusion section of the definition of "capital cost" may include costs which were probably never considered in the metropolitan context and therefore are just simply not captured.

To refer to the first issue, the unintentionally excluded growth-related costs that were clearly intended to be included, this relates to the fact that we are concerned that some of the terminology used within the legislation will not capture the type of equipment that we use in our sewage treatment, water purification plants; that kind of major equipment. I am sure you have probably heard this before the committee before. For Metropolitan Toronto this is again such a significant issue that we wanted to go on record and clear this one up.

We believe this is unintentional. We have not yet come forward with a the word "structures" or the word "facilities" adequately captures those kinds

method of changing the legislation to capture this, but we do not believe that of expenditures. In fact, we think that it intended to in that, if you refer back to the budget paper E, it actually states,

"Capital recoverable from lot levies is limited to the cost of acquisition and construction of land and buildings, roads, sewers, sewage treatment equipment and similar items that form an integral part of capital so defined."

The point really is that we understand that it was intended to be in there. The way the legislation is written we are not assured that it is and we would like to be assured that it is in the legislation.

The second point is exclusions that were made without consideration of the Metro situation. The actual definition of "capital costs" within the legislation expressly excludes vehicles. Background documents, and again I refer to budget paper E, expressly exclude rolling stock. The term "rolling stock" did not end up in the legislation, but the term "vehicles" did. On either count we are concerned that the decision to exclude the term "vehicles" in the definition was made without a major corporation like Metropolitan Toronto in mind.

Our point is that if rolling stock is to be excluded—and by that I mean that "vehicles" has been excluded and background documents support the idea that rolling stock is included in the definition of "vehicles"—we are saying that you cannot equate rolling stock of a public transportation system with the truck that maybe our local parks department or works department needs. We are saying these are fundamentally different types of expenditures.

In Metropolitan Toronto, again where it is such a major concern to us because those types of equipment are so expensive, buses, subways and streetcars are major expenses and make up a major proportion of the expenditures that we incur in the operation of public transportation. We must recommend to the committee that in fact rolling stock of a public transportation system be clearly identified as being something quite different than regular vehicles and that this be captured.

The final comment that we have to make relates not clearly to the definition of what kinds of things can be captured in the capital costs. It is a matter of ownership and the legislation is silent on this. Again, it is something that because of the situation Metro is in, facing such major replacement of landfill sites, we are concerned that the legislation might not allow a municipality to levy for a facility that it was not going to own.

I see confusion on your faces. The question is this: Can a municipality levy a charge on development in its area that would not be used to fund something that it personally is developing but that somebody else is developing that it is going to use? For Metropolitan Toronto, and I think for the objectives of the greater Toronto area, this is a critical issue, and not so much from Metro's perspective that it might affect us directly, but indirectly in going ahead with the project, just the feasibility of a project, if in fact a municipality that wanted to jointly share the use of one of our facilities could not impose a levy to pay for it.

We want you to look at that issue and we will be coming forward at a later date with some specific suggestions of how in fact we think ownership should be addressed in the legislation. That is it. We wanted really to just touch on areas that were of primary and fundamental concern to Metropolitan

Toronto and, as I said, there are others addressed specifically in the brief we have handed out today.

We would like to table with you also the fact that we are in the process of developing a legal response to the bill, which we have not submitted, and we will get that in before you begin your line—by—line review of the legislation.

The Chairman: Thank you. Just one point of clarification: There was a little confusion, Mr Tonks, when you were talking about the consultation process as compared with the commercial concentration tax.

Chairman Tonks: Commercial concentration tax.

The Chairman: I gather you are talking about prebilled consultation and the green paper that occurred because the other taxes simply had first reading and we do not know whether it will be in committee or not at this stage. Mr Polsinelli has a question.

Mr Polsinelli: Thank you, Mr Chairman, and to the presenters for a very good presentation. I must say that some of the comments you have raised we have heard before; a number we had not heard before. I am sure the ministry will take a close look at those items that we had not heard of before or that we had not heard of as a concern before.

Mr Tonks, I was going to ask you if you had, offhand, figures that indicated what Metro's debt is.

Chairman Tonks: The chief administrative officer can answer that.

Mr Richmond: Metro's debt, in terms of debt servicing, is about 15 per cent of our current levies, of our operating budget.

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Mr Polsinelli: That is 15 per cent of your operating budget. Does that include the operating budget for the various hydro commissions in Metropolitan Toronto?

Mr Richmond: No, not the hydro commissions.

Mr Polsinelli: Mr Richmond, perhaps you could take a few minutes to educate me on this. We had the region of York before us yesterday. They indicated that their projected debt servicing would be about 19.1 per cent, but within that 19.1 per cent they were also required, by the Ontario Municipal Board, to include hydro debt. Why is it that yours is different, then? Yours does not include any hydro commitments.

Mr Richmond: I am not aware of the answer to that. I was not aware that any municipality included hydro debt as part of the debt of the region or the metropolitan government.

Mr Polsinelli: When you propose to debenture something and go to the OMB for approval, it looks at your debt, your debt servicing and the like when it calculates your operating expenses; that is part of the operating expenses. That would be the operating expenses for the municipality, but according to the region's position they had to include hydro debt as part of their debt in terms of calculating what their debt servicing charges would be.

Mr Richmond: I presume that the OMB is looking at the debt-carrying capacity of the taxpayers in an area but, what they call the "joint and several obligation" for debt—the taxpayers who are fingered in the event of anybody's not paying his or her debt—in a municipality rests simply with the area municipalities and the regional government.

 $\underline{\text{Mr Polsinelli}}$: You indicated that yours for Metropolitan Toronto is about 15 per cent. My understanding, again from the region of York's presentation yesterday, was that the OMB took a 20 per cent figure as a healthy figure for a municipality. That would indicate that in the case of Metropolitan Toronto, you are at about 75 per cent of debt capacity.

Mr Richmond: I would really like a chance, if I could, to respond to that, because there is a perception in the provincial government generally and among the Treasury staff, I guess, in particular, that the debt position of the Metropolitan corporation is very favourable. Ten years ago, when we were looking at guidelines for financial management in Metro, we were sitting in a position where our debt servicing was about 24 per cent of our budget. In other words, about a quarter of our budget we could not deal with on a year-to-year basis, because it had to be committed totally to debt servicing.

We looked at the growth of the community just as you look at growth in terms of a family cycle. When you are young and starting out on your job, you tend to have reasonably limited income but great borrowing power because you have the capacity over time to increase your income. As you get older, are 55 or 60, and want to retire, you have a much greater capacity, probably, to go out to borrow, but you do not do it because you do not want to encumber the future and you do not want your retirement jeopardized.

Looking at Metropolitan Toronto as opposed to the region of York, the region of York is a young and growing municipality. Metropolitan Toronto is an old, mature municipality now that has had virtually no population growth for the last 15 years. The assessment growth in Metro is below two per cent while it is running between eight and 15 per cent for the regions around us. It is the assessment growth and the population pressures that in combination suggest what type of infrastructure in debt servicing you have to incur.

When the Metropolitan Toronto council looked at the position of Metro 10 years ago it said, "Look, our debt is too high; we are entering a period of very high inflation rates where the cycle of economic swings may be more severe than it was in the past." They asked us to do a series of things, such as looking at how much money we needed to maintain our infrastructure, to improve our infrastructure and what it would take in terms of policies to bring down the amount of debt servicing in the budget so that more of the social and human services could be entertained in the mature population. As a result of that, council deliberated on a whole series of guidelines. That is why we are here today.

Actually, Bill 20 is one of the revenue sources available to the municipality that we have not used a great deal yet. Metro, 10 years ago, said, "We are going to have to pay for more of our capital from our current taxes and we are going to have to use user charges in a way we had never contemplated before." At that point in time, you started to see annual increases in the transit fares in Metro, you saw annual increases in the use of the ferry boats and charges for recreational activities in Metro, and you saw annual increases in all the services we provide where we can identify the user and where it is proper for the user to pay. We started moving away from debt servicing and more to user charges. This particular bill, of course,

falls under the user-charge category of financing and therefore it is very important to us.

Mr Polsinelli: Your response could stimulate a lot of discussion.
Unfortunately, we do not have the time for that, so I am going to leave that sit.

Mr Tonks, you advocate, as do many politicians, many of them down here also, that the education portion should be removed from the property tax base. The province of Quebec has done that so we know it is not an impossible task, but along with removing education from the property tax base what Quebec has done is it has also, I would say, almost completely eliminated unconditional grants and conditional grants to municipalities. In other words, they let municipalities run their own ship and let them either steer their course or sink or what have you. As a corollary to what happened, it is not that individual taxpayers are paying less taxes, the individual local tax load is at least as great as it is in Ontario. Would you approve of such a system in Ontario?

<u>Chairman Tonks</u>: Just pursuant to our market-value-based approach for reassessment, we had Professor Kitchen from Queen's University or from Trent University do an analysis.

Mr Polsinelli: From a university; we know Professor Kitchen.

Chairman Tonks: He did an excellent paper. He indicated that a simple reallocation from the property tax base formula to an income base for education purposes would result in a lowering in the amount of money that would be available to Metropolitan Toronto for education purposes, which is an interesting conclusion. We would certainly have to look at that very closely. We are in a situation now where the province is not contributing to education purposes in Metropolitan Toronto. As a matter of fact, if the Martin model was approved, you would be looking to move money to the other regions on an equalization basis.

My answer to that is that local municipalities, if they do believe in their autonomy, should have some degree of control over their sources of revenue. I think it is true, as our crumbling partnership paper argues, that with the request for more autonomy and more responsibility, it naturally follows that the province would be backing away from conditional and unconditional grants according to the old rules of the game in the relationship. It just naturally follows.

Mr Morin-Strom: Thank you for your presentation today, Mr Tonks. In terms of who we have had in front of us so far, we have basically heard from areas around Metro Toronto, and I think one presentation from Ottawa-Carleton, basically areas where development and growth in population are happening at a very rapid pace. You have indicated that within Metro Toronto itself there has been very little population growth in the last 15 years, and I presume the projections are for little or no growth for a number of years in the future.

<u>Chairman Tonks</u>: The migration away has been offset by immigration coming in, which gives a whole host of other problems, but you are right; it has been a sort of neutral bottom line.

Mr Morin-Strom: That means that in terms of development and particularly population change, you are in a similar position to a lot of other areas of the province that have not been well represented here in this bill.

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I would like to know whether you have concerns about the applicability of this bill to areas, such as yours, which are not experiencing population growth; whether you are actually restricted potentially from being able to get a new source of income which is available to areas which are having rapid population growth; and how relevant this bill is to areas such as the city of Toronto particularly and other areas farther away from this area, such as rural Ontario, northern Ontario and southwestern Ontario, which may not be experiencing population growth. Do you have any particular concerns from that standpoint?

Mr Richmond: There are two things relevant, I guess, to the non-population-growth areas. The Metropolitan corporation within the greater Toronto area umbrella is probably going to be requested to take more growth, maybe 300,000 people. Now, 300,000 people on 2.2 million does not seem all that much, but you try to service 300,000 people and you will know what it will do to infrastructure costs.

The other thing is that as redevelopment occurs in Metropolitan Toronto, you get an abandonment of an industrial-commercial area and a conversion into residential, or vice versa, and every time significant redevelopment occurs, all of those infrastructure costs occur as well. We probably would not argue that we do not have the resources to handle it, but we do need access to redevelopment levies or something of that nature in order to facilitate our redevelopment processes as well.

It is a kind of a catch-22. We are not growing rapidly, our assessment base is not growing rapidly, our population is not growing rapidly, but there is enough change going on in the community and the community is so big that the infrastructure implications of what is going on are enormous. It could be a new transit facility, it could be more libraries, it could be sewer capacity, water supply, all of those things.

Mr Morin-Strom: Is that why the definition on development and the need to be able to accommodate redevelopment is so important to non-population-growth areas such as this?

Mr Richmond: That is it right on the target.

<u>Mr Ferraro</u>: Thank you for your presentation. Mr Tonks, I am fully cognizant of the fact that Metro Toronto is a unique community and in your introduction you came out with a unique suggestion, certainly to this committee, to my knowledge. You state, "If it is not possible to refine the legislation to address our needs, we would like to table the idea that we may need to seek our own legislation related to development charges in the future."

I found that very interesting, especially in the context that, as I am sure you appreciate, we are trying to establish a rule for the province. Without getting into the detail specifically of that tabling of the idea, can you indicate to me a similar situation where the province is trying to standardize rules and regulations for the entire province and where, because of the uniqueness of Metro Toronto or any other community you are aware of, there has been a precedent set?

<u>Chairman Tonks</u>: I cannot give you the precedent, but I can tell you that I lean towards universality in terms of application of legislation.

Mr Ferraro: I understood that.

Chairman Tonks: In terms of private legislation that would allow us to do what we have to do, it is a rather unique situation in that Metro has different private legislation implemented at Metro than the regional municipalities. An illustration of that is that the region of York operates a hydro utility through a committee, I believe, as opposed to a commission. Is that not true? Well, I know there is differing legislation which provides for certain capital costs to be streamed through the region as opposed to the private legislation in Metropolitan Toronto.

I am not sure I am hitting it on the mark, but you have to remember that in Metropolitan Toronto—I have to remember, and I am constantly reminded through the area municipalities—land use planning is vested in the area municipalities and we have not yet resolved, with the new stature and status of Metro, just what the mandate is of Metro with respect to levying against what are now huge capital responsibilities and requirements based on redevelopment.

The area municipalities of course can bonus; they can use section 36 of the Planning Act. The method by which, say, this legislation is implemented, the method by which we would use the legislation, is going to have to be very carefully worked out with the area municipalities if Metro is going to be able to provide the backup infrastructure and reinforce the official plan directions that the area municipalities want to take.

To sum up, Metro is unique in the sense that it is a region but with strong cities and a borough within it, with their mandates. Metro has always been the provider of heavy infrastructure that has backed up those initiatives of the area municipalities. We now find ourselves in a position where we cannot fund them according to the traditional approaches, simply levying against taxes. This legislation will enable us to do that, but it will have to be either in an explicit or implicit way we agree to apply the legislation. However, I think it should be broadly enough based in terms of its applicability across the province that Metro can find its relationship, its substantive implementation facility through the legislation.

Mr Ferraro: Did you say there was no precedent?

Chairman Tonks: No, I doubt whether there is an exact precedent.

<u>The Chairman</u>: Thank you very much for your presentation, all three of you. It has been very helpful, particularly from your unusual perspective of being established and yet not growing.

The next witnesses are from the Metropolitan Separate School Board: Michael Lofranco, chairman of the board; director of education Barone; deputy director Meneguzzi, and Mr Botticella, vice-chairman of the board. Those of you on the two ends, there should be microphones there. We apologize for making you so cosy during your presentation. It is necessary in this particular committee room.

The brief is being distributed. Perhaps you could lead us through it, Mr Lofranco, and introduce your confrères for purposes of Hansard.

METROPOLITAN SEPARATE SCHOOL BOARD

Mr Lofranco: My name is Michael Lofranco. I am chairman of the Metropolitan Separate School Board. With me this morning and to my left is my vice-chairman, Mr Botticella. To my right is Tony Barone, director of

education and to my far right is Peter Meneguzzi, deputy director of education and treasurer.

The Metropolitan Separate School Board welcomes the opportunity to present its concerns regarding Bill 20, and in particular the section that outlines education development charges or school-purpose lot levies. The Metropolitan Separate School Board represents in excess of 560,000 ratepayers and educates more than 103,000 students in 191 elementary and 36 secondary schools.

The new thrust in education finance provided by Bill 20 could have significant adverse effect on our ratepayers and delivery of educational programs and services to our students and schools. Indeed, the proposed legislation may have serious negative implications for many school boards province—wide.

The board's concerns reflect a fundamental philosophical objection to education development charges. Our presentation today will focus on the philosophical and social issues arising from Bill 20 and not each clause of Bill 20.

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An educational development charge would: (1) represent a further shift in the financing of education from the provincial level to the local level; (2) be a form of indirect tax which would undermine the basic principles of equity in taxation; (3) negatively affect other social policy initiatives, particularly the affordability of housing throughout the province; and (4) result in an unequal transfer of the tax burden from nongrowth to growth areas and from assessment—rich to assessment—poor boards.

I intend in the next few minutes to provide you with a fuller understanding of each of the four objections we have here today.

Objection 1, reduction of provincial government support for education: The costs of education have traditionally been shared between the provincial government and the local level, the ratepayers. The respective share of each level has been a focus of debate in the issue of educational finance. Over the last 15 years, the overall provincial share of funding education has declined steadily from approximately 60 per cent of cost to approximately 46 per cent of cost. This shift has been opposed by boards; indeed, the Commission on the Financing of Elementary and Secondary Education in Ontario recommended in 1985 that "the government of Ontario affirm its financial commitment toward the funding of education and that it move toward contributing 60 per cent of the approved costs."

The implementation of school-purpose lot levies would be a move in the opposite direction. It would promote a further shift in the burden of educational costs to the local level.

How would this shift occur? It appears that the province intends to reduce the provincial capital grant rate on average from 75 per cent to 60 per cent across Ontario regardless of whether school boards implement the lot levy bylaw or not. For the Metropolitan Separate School Board, the expected reduction in capital grant rate would be from approximately 80 per cent to 69 per cent. For mature boards where development is now by and large complete but where renovation needs are critical, this revenue would have to be recovered by increasing the residential mill rate, accessing corporate industrial

assessment or, for assessment-poor boards, reducing service. We find this very unacceptable.

In view of the across-the-board reduction in the provincial capital grant rate, it is clear that no real option exists for school boards; each board must adopt an education development charge bylaw or lose revenues.

Objection 2, abandoning of basic principles of equity in taxation: Broadly speaking, the purpose of education may be described as the development of the individual's potential in all areas, ie, intellectual, social, emotional, moral and spiritual, for the purpose of stimulating economic growth and to promote the general good.

Public support for these goals rests to a large extent on society's notion of equity or social justice. All children should have an equal opportunity to develop fully and to make the best contribution they are capable of to society, regardless of their parents' ability to pay.

It is appropriate and reasonable to desire and indeed require that there be consistency between the philosophical goals of education and the mechanics of how the burden of taxation is distributed. In Ontario this burden has been split between provincial support and revenues raised at the local level.

Provincial support is provided from general revenues collected through personal income tax, corporation tax and consumer sales tax. Overall, the large portion of educational costs is funded through generally progressive tax structures where people are taxed according to their ability to pay. This principle of taxation is known as vertical equity.

The local share of education is based on property taxation. Although imbalance exists in the administration of property tax, an attempt to provide equitable treatment across communities has been made through tax reforms, assessment reviews and equalization factors. The commitment to treat equally taxpayers who are equal in all relevant circumstances is known as horizontal equity.

These principles would be undermined by the introduction of educational development charges in the following ways.

First, a school-purpose lot levy would be charged to the developer or builder. These costs would be passed on to the consumer or house buyer, particularly in the type of housing market found in the greater Metropolitan Toronto area where the demand for homes is greater than the supply.

The lot levy would be a general form of user-pay taxation, which is an unacceptable principle on which to base taxes on finance. Only new home buyers would be charged a levy for new school construction. Other taxpayers would not be required to make this extra educational contribution. Indeed, certain of these other taxpayers, eg, families in established homes adjacent to the development, would not pay the levy even though their children could attend the new school when completed. This would violate the principle of horizontal equity.

Second, the lot levy would not be related to a person's ability to pay. All lots in a given development would be levied a standard school-purpose charge regardless of the cost of their home. This would violate the principle of vertical equity.

Objection 3, the unequal transfer of tax burden among school boards: There are three ways in which the tax burden will be unequally transferred among school boards. First, the expected grant reduction when applied to a mature board or one where little future growth is expected will impose additional local costs. The future accommodation needs of mature boards, such as the Metropolitan Separate School Board, will be renovation, retrofit, redevelopment and school additions. It is anticipated that these costs will be substantial. Not only would the suggested lot levy process ignore these needs, but the potential reduction in the provincial grant rate for construction projects would fall from an average of 75 per cent to 60 per cent. It would severely penalize the Metropolitan Separate School Board.

As noted, it is projected that the Metropolitan Separate School Board capital grant rate would be reduced from approximately 80 per cent to 69 per cent. In effect, the funding of construction projects for boards in mature or established areas would be reduced without the ability to fully utilize lot levy financing.

Nongrowth boards would most likely have to raise the mill rate to make up the reduction in grants. As a result, the province might have additional moneys to fund more projects, but it would be at the expense of the local ratepayers. Nongrowth areas would bear an unequal share of the burden of educational costs for growth areas.

Second, the expected grant reduction when applied to assessment-poor boards which cannot counter the reduction through access to corporate—industrial assessment could force these boards to reduce services and programs. That is also unacceptable.

Fortunately, the Metropolitan Separate School Board will be able in the near future to make use of corporate assessment thanks to recent government initiatives. There will be, however, other boards which are not so fortunate. Reduction in revenues of boards which are already assessment-poor is not acceptable.

Third, education development charges will result in a transfer of equity from assessment—poor to assessment—rich boards. This situation is clear when a concrete example that is extrapolated from materials supplied to school boards by the Ministry of Education is considered.

In this example, a development charge, or lot levy if you will, of \$5,000 is applied to a residential development with a 70 per cent public school component and a 30 per cent separate school component. The total local share of school construction costs is \$50 million. The local share is apportioned according to public and separate board enrolments and differing grant rates.

As a result of these calculations, the amount of levy paid by public school ratepayers would be \$35 million, Yet the amount required for school construction is \$43 million; there is a shortfall of \$8 million. The amount of levy paid by separate school ratepayers is \$15 million, yet the local share required for school construction is \$7 million; this \$8-million surplus from separate school ratepayers could be transferred to public school construction. It is clear that the education development charge would result in a net transfer of separate school ratepayer moneys to the public school ratepayer. The reverse could happen where population and assessment bases are oppositely structured.

Objection 4, undermining the affordability of housing: Since school-purpose lot levies would be passed on to the new house buyer, the effect would be to raise the cost of all new housing. This situation would also impact on specific social programs, particularly the attempt by the government to provide greater affordable housing. The legislation in fact admits the danger of the home buyer paying the levy cost by setting a cap of 60 per cent on affordable-housing lot levies. Any measure which would raise the costs of what is intended to be affordable housing is counterproductive to positive initiatives now being pursued by the government in the housing area.

In review, I make the following observations.

In the report of the Commission on the Financing of Elementary and Secondary Education in Ontario completed in 1985, it was suggested that, "The first principles upon which the financing of education should be based are, we believe, adequacy and fairness...that within the resources available to the province, every school board receive adequate funds to meet the needs of its pupils...that Ontarians both contribute to and enjoy the benefits of our educational wealth in the most equitable way possible."

Clearly, these are serious capital school building needs across the province. On the surface, the educational development charge could assist in resolving these immediate needs and assist in providing adequacy. But it is in fact a hollow victory since, in the process, the principle of fairness would be dismantled.

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In conclusion, the Metropolitan Separate School Board believes that the financing of education must remain primarily a provincial responsibility. The best guarantee in this direction is not only to reject the concept of further shifting of educational financing to the local level on the basis of unequal taxation or lot levies, but also to increase the provincial share of educational costs.

- If, however, the government intends to implement this legislation, the Metro Separate School Board requests the following:
- 1. Continue to include the commercial corporate sector for the payment of educational development charge. This sector is an obvious beneficiary for the broad social goods derived from education.
- 2. Permit the Metro Separate School Board to address in the future the appropriate committee regarding the mechanics and implementation of the legislation. Although not addressed today, the board also has serious concerns about the procedures involved in administering the educational development charge.
- 3. Ensure that the educational development charge is retroactive to the introduction of legislation. This is critical if school boards are to benefit from recently initiated projects.

Finally, I wish once again to stress the board's fundamental opposition to the legislation. Thank you for the opportunity to present our views here today. If there are any questions, we would be glad to answer them.

The Chairman: Thank you very much. Mr Reycraft has a question.

Mr Reycraft: I want to thank the Metro Separate School Board for its presentation this morning. First, I want to address the concerns that are expressed in the brief about the allegedly proposed reduction in provincial funds for renovation and retrofit of existing schools. The policy, as it has been announced by the Ministry of Education, indicates that across the province the level of provincial support for renovation and retrofit is to remain at 75 per cent, and that the only capital funding that is to be eligible for the reduced 60 per cent level is new school construction. Given that fact, it would appear to me that at least part of your concern has been based on a misunderstanding of the government's intention with respect to its support for renovation and retrofit. First of all, I should ask, am I interpreting what you said correctly? Has there been a misunderstanding?

Mr Meneguzzi: It is our understanding that the grant rate that was being proposed across the province would be reduced from 75 per cent to 60 per cent and as a consequence we thought that also was going to sweep in renovations. But if renovations and additions are in fact excluded from this particular situation, then of course the impact is not quite as severe as we had anticipated.

Mr Reycraft: To go a little further, in fact, if a jurisdiction were not in a growth situation and therefore did not need to build any new schools, there would not be any adverse effect on the school board at all, would there?

<u>Mr Lofranco</u>: Our objection still has to do with the philosophical end of the whole program of taxation. It is unfair taxation across the province. It is not fair taxation at all.

Mr Reycraft: Could you elaborate on why the taxation is unfair in your opinion?

Mr. Lofranco: I think the one area that the provincial government no doubt is primarily responsible for is education. As we have said earlier in our brief, the costs have dropped over the years from 60 per cent down to 46 per cent, and we are hoping that the provincial government will come back up to the 60 per cent that is needed to fund schools properly. It is not up to the boards to raise taxes to take care of the reduction on a continuous basis. The province has always gone in the direction on the down side. We are hoping that it will come back up to the 60 per cent since the area of education is a responsibility of the provincial government.

Mr Reycraft: The government has indicated its intention to work toward the Macdonald report recommendation about increasing the level of provincial support of approved costs to 60 per cent. I believe that rate of support at present is about 52 per cent. What is the rate of provincial grant on approved costs for your board?

Mr Meneguzzi: I believe the recognized extraordinary expenditure rate is 86 per cent at the elementary level, and I believe the operating is somewhere in the area of—my goodness—I think it is in the 70 per cent area. Mind you, here again, you must also remember that the grant rate is reflective of the assessment support of the board. We are defined to be a poor board. In other words, we are below the average. The Metro Separate School Board is defined to be a poor board and as a consequence the grant rate is quite high because it has to in fact modify or support the low assessment supporting the system.

extraordinary level is 86 per cent, and I believe the grant rate at the operating level is at the 70 per cent level.

The Chairman: I just have a supplementary here, Mr Reycraft. I can appreciate what you are saying philosophically about progressive taxing systems, but do you have any information to assist us with regard to your own taxpayers who essentially would not be supporting new schools and would not be subject to a lot levy and, I would be guessing, would probably benefit from a lot levy being assessed outside Metro's boundaries?

Mr Meneguzzi: As I think we all know, Metro is basically a mature community and, as a consequence, the rate of development is quite low as compared to outside of Metro. Yet, our needs for additions and the odd new school now is experienced and will be experienced. How shall we pay for it? By the lot levies, as being proposed. But there are very few developments that are anticipated that we can see. As a consequence, it looks as though we would have to look to raising the mill rate to make up that difference in the shortfall from the current grant rate to the proposed grant rate.

The Chairman: We have heard evidence, for instance, that in Peel region a great deal of money might come in to their school boards to assist them in building a number of new schools. Now you are suggesting that money should come from the provincial tax base which means people in Metro Toronto and Kitchener and everywhere else would be paying for those schools. But you are still suggesting that in net your taxpayers are going to end up paying more.

Mr Meneguzzi: We think so. Once again, I think the thrust of our brief is that it should be—education is a provincial matter and what should happen is that some of the major concerns that we say about—vertical and horizontal equity should be recognized and maintained and not the user fee basically.

 $\underline{\text{The Chairman}}\colon \mathbf{I}$ can understand that principle, yes. Mr Ferraro has a supplementary, and then Mr Morin-Strom has a question.

Mr Ferraro: Thank you, Mr Chairman, and thank you, gentlemen, for your presentation. I appreciate the thrust of your presentation. Let me ask the question straight out, however. In the area of capital projects, which this bill, this educational lot levy is specifically designed to address, it is my understanding according to the Education Act—I stand to be corrected and I am cognizant of the position in which the province has been put in supplying a percentage of capital costs. Capital construction is a responsibility of school boards, not of the province, notwithstanding the moral responsibility, I suspect of the precedent—setting. I am wondering if you could comment on that, because you are concerned about the shifting and in fact there is no shifting.

Mr Lofranco: I will make a comment maybe before Peter makes a comment on that. I think a precedent has been set over a number of years. There is no doubt in my mind that I think at the beginning of it all it was very possible that the province was not going to fund capital projects for many, many years. Now they have, and kept funding them. I think it is still a responsibility.

Mr Ferraro: You mean for increased amounts substantively?

Mr Lofranco: Increased amounts but also in a reduction in grant

rate, too, over a number of years. It has been stated in the brief and these figures are from the ministry and are not numbers coming from us. So, I would still say that the precedent has been set a number of years ago, that the provincial government's responsibility is for the capital projects.

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 $\underline{\text{Mr Morin-Strom}}\colon \text{I think your presentation illustrates the problem}$ that the reductions are taking place—

Mr Lofranco: We just finished off that point, did we not?

<u>Mr Meneguzzi</u>: Once again, just to follow up on what the chairman is suggesting, the responsibility of education is a provincial matter, it has assigned it to the local level, and what have we got? We have got basically two functions. One is the capital projects and the other is the operating projects.

As it currently is set up, the grant structure provides for a ceiling whether it is capital or operating. It also identifies that there is a provincial contribution and a local contribution. What we are saying is that the local contribution is being increased substantially and as a consequence we feel the thrust is going in the wrong direction, which applies both to operating as well as to capital.

Mr Morin-Strom: I think one of the contradictions here is what is really happening in terms of this \$300-million commitment and the reduction from 75 per cent to 60 per cent. I know your members have been arguing that this is going to lever \$500 million in spending. At the same time, we have heard the contention that the 60 per cent is only going to apply to capital projects that are necessitated by new development, which would imply that in fact levering would not be from \$300 million to \$500 million.

If in fact the government is expecting to get \$500 million of capital spending out of a \$300-million provincial contribution, it must be dealing, as this board has indicated, with a 60 per cent average overall for capital projects. Perhaps the Ministry of Education could clarify to us in fact whether we are talking a 60 per cent average overall capital and levering that \$300 million to \$500 million or whether the 60 per cent only applies to some of them and then the \$300 million will go to something to less than \$500 million. I would like to have that clarified.

Mr Reycraft: Perhaps I could help somewhat. The provincial contribution to school capital is going to be \$300 million a year. The rate of grant on average across the province is going to be 60 per cent for new school construction. The rate of grant for retrofit and renovation and additions is going to be 75 per cent.

The percentage figures will apply to costs that are, for want of a better term, approved costs. Not everything that is constructed as part of a new school or part of an addition to a school qualifies as an approved cost, so it is very difficult to identify exactly what amount of construction is going to be generated by the \$300 million. It is very difficult to identify that exactly, but it will certainly be somewhere approaching the \$500 million figure. It perhaps may not be that exactly, because part of the funding is going to be 75 per cent funding, but there will be certain construction costs for which there is no provincial support, certain parts of new school buildings that are not approved by the ministry as being eligible for capital grants.

Mr Morin-Strom: With respect to that, I have concerns about what in fact the split is going to be between new school construction and other capital in terms of reconstruction or retrofits.

Second, now you have given a definition, I think, which is different from what this legislation implies. You are saying now the 60 per cent applies to all new school construction. In terms of the rights to be able to collect educational development fees, the bill does not apply to all new school construction.

In an area where a new school is required, not because of development but because a school has not existed there to this point and you have people in portables or there are demographics in terms of changing where families are living versus those without families and there is movement in where the children are, there could be no development going on but a need for new schools. That may well be the case in a board such as this one.

As well, you have changing requirements in terms of reductions and teacher-student ratios and mandated needs for junior kindergarten and full-day kindergartens which are going to require new school construction. This is going to be required irrespective of developments going on in many communities in the city of Toronto and certainly in areas of rural Ontario and northern Ontario. These areas will not have the right, as I understand it—and probably would not use it, even if they had it in some minor areas of their communities—to get application of this bill.

Mr Polsinelli: Mr Chairman, on a point of order: It is already 15 minutes past 12, and we seem to be entering into debate on the merits of the bill rather than questioning the witnesses. I would suggest that we adjourn.

Mr Morin-Strom: I will make it quick.

The Chairman: Perhaps, Mr Morin-Strom, you can formulate a supplementary. Do you have a question to either the witness or Mr Reycraft?

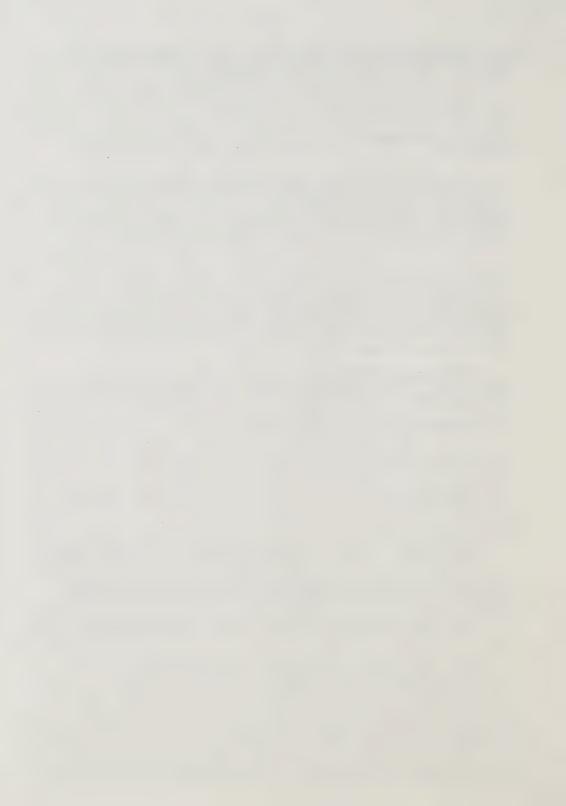
Mr Morin-Strom: Am I on track in terms of the concerns that you have, Mr Lofranco?

Mr Lofranco: Yes, many of them.

The Chairman: I think the discussion between Mr Morin-Strom and Mr Reycraft has helped enlighten us, and we appreciate the witnesses's bringing to our attention their concerns with regard to retrofit. It probably has enlightened you as well. We appreciate that. Does anyone else have any questions?

Thank you very much for your presentation. It has been helpful to us particularly from your perspective, which of course is somewhat unique in the province.

The committee recessed at 1217.



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

DEVELOPMENT CHARGES ACT, 1989 ORGANIZATION

WEDNESDAY 30 AUGUST 1989

Afternoon Sitting



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Substitutions:

Jackson, Cameron (Burlington South PC) for Mr Pope Polsinelli, Claudio (Yorkview L) for Mr Kozyra Reycraft, Douglas R. (Middlesex L) for Ms Hart

Also taking part:

Marland, Margaret (Mississauga South PC)

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Municipal Affairs:

Tassonyi, Almos, Senior Economist, Taxation Policy, Municipal Finance Branch

From the Ministry of Education:

Dalzell, Elizabeth, Policy/Legislation Analyst, School Business and Finance Branch

From the Peel Board of Education:

Parrish, Carolyn, Chairman

Lee, Robert, Director of Education

Greeniaus, John, Chief Planning Officer

Individual Presentation:

Stamm, Gary, Stamm Economic Research

From the York Region Board of Education:

Bennett, Paul, Co-Chairman, Special Committee on Provincial Funding Crothers, Bill, Co-Chairman, Special Committee on Provincial Funding Barker, Karen, Special Committee on Provincial Funding

From the Durham Region Roman Catholic Separate School Board:

Tunney, Catharine, Chairman

Andrews, Grant, Associate Director, Business Affairs

From the Arvida Development Corp:

Gordon, Laurie, Development Manager

Davies, Jeffrey L., Legal Counsel; with Borden and Elliot

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 30 August 1989

The committee resumed at 1400 in committee room 2.

DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

The Chairman: We have a tight schedule this afternoon and so I see a quorum. Our first presenter will be the Peel Board of Education. I wonder if its representatives can take positions facing the committee here and introduce themselves. We, the members of the committee, have your brief in front of us and we also have a very interesting data sheet.

If you will excuse committee members, I am sure the rest will arrive very shortly. You can start your presentation, hopefully leaving some time for questions.

PEEL BOARD OF EDUCATION

Mrs Parrish: Thank you. I would like to thank the standing committee on finance and economic affairs for allowing the Peel Board of Education to appear before you today. To my left is Robert Lee. He is the director of the Peel board. I am Carolyn Parrish, the chairman of the Peel board, As chairman of the Peel board and one of two spokespersons for the Growth Boards Coalition, which you may have heard of, I will be wearing two hats while performing a single purpose: to encourage this committee and this government to complete the implementation of Bill 20 as soon as possible.

As you are possibly aware, there was a coalition formed with four regions—eight boards, half separate, half public—when the green paper was being vetted. Patrick Meany, who is sitting over there in the front row, is the other official spokesperson. He represents the separate boards. We would like to think of it as a slightly unholy alliance, because separates and publics do not often get along together, but on this issue we have.

The Chairman: So he endorses everything you have to say, I take it?

Mrs Parrish: He does.

Although no members of this committee represent high-growth areas such as Peel, Halton, Durham and York regions, we all represent the children and taxpayers of Ontario. What we find particularly interesting about Bill 20 is that it is completely permissive legislation. School boards in lower no-growth areas need not implement the Development Charges Act. High-growth areas, which currently receive almost 90 per cent of the yearly capital allocation, will have a local source of funds, freeing up more provincial dollars to renovate and upgrade badly deteriorating older schools which exist in every board in this province.

The Peel Board of Education has 163 schools and 92,000 elementary and secondary students. It is currently one of the most rapidly growing boards in the province. With Mississauga and Brampton predicting sustained growth for many years to come, the Peel board's three—year capital expenditure forecast for 1990—92 identified a need of over \$255 million. Since only \$300 million was given out last year, I think we probably could take the lion's share of that and still keep building.

As a member of the Growth Boards Coalition, Peel has joined with other large separate and public growth boards to encourage the provincial government to explore new and innovative methods of funding the overwhelming needs of growth boards in Durham, Halton, Peel and York, which also require extensive upgrading and renovation of their older buildings.

There are some statistics later in the report, but the growth boards have over 400,000 students, 90,000 of whom are in 2,500 temporary units. They have annual operating budgets totalling \$2 billion and they have a five-year capital request of \$1.95 billion. So we definitely are taking the lion's share of capital money right now.

The Peel board would like to compliment the government for its grass-roots consultation process which invited submissions on lot levies from the Association of Large School Boards in Ontario before the green paper was presented and from all interested parties before the Development Charges Act was drafted.

You are obviously here today to seek reaction input from all affected groups in the province. This is indeed a new era in co-operative planning. The Peel board is supportive of the concepts outlined in the Development Charges Act for the collection and distribution of lot levies at the building permit stage for new pupil-place construction. The board appreciates the flexibility that appears to be built into the proposal and the greater predictability of potential funds and construction starts than currently exist.

With a portion of new school funding coming from local development, it is expected that more new starts will receive approval from the ministry. The possibilities for receiving land or actual school construction from developers in lieu of levies suggests an interesting alternative which Peel is already pursuing.

We have had two meetings with the Toronto Home Builders Association and two meetings with Metrus Management. What they seem to be particularly interested in is total lease. We have one proposal to build a school in an area where we need a school that we did not get funding for, where 40,000 homes are currently being constructed, but they want us to lease it at \$14.75 a foot and at the end of the lease they get the property and the school back. We could not do it, because once our schools are in place, we pretty well need them for much longer than 10 or 20 years and we do not need that lack of security. It is a waste of money as far as we are concerned to just pay rent and then have nothing to show for it at the end. As we have mentioned to the Toronto home builders and Metrus Management, we would be far more interested in a leaseback/lease-to-purchase sort of arrangement and they are working on it.

Because commercial and industrial pooling has recently become a reality, extending levies to such properties appears logical and will help build pools of funds much more quickly.

The Peel Board of Education therefore supports the concepts contained in the Development Charges Act with the following concerns: Grants should have remained at existing amounts of 75 per cent until lot levy accounts build to a level which that permit reduction to occur, and any expenses incurred by debenturing during the phase-in period should be chargeable against the levy account.

In table 2, which is a couple of pages into this report, you can see that we have requests for schools that were not approved or were approved in a phase—in up to the end of 1992. If you look on page 2 of the tables, you will see that the one at the top, Huntington Ridge, was built to accommodate 551 students. It opened this year with almost 800 students. The official opening could not be held in the school because the auditoriums and the gyms and the stage facilities were all used as classrooms. We had to hold the official opening of Huntington Ridge in the board office, which is a new low, as far as I am concerned, in opening schools that do not accommodate the children in the area.

As you can see on that table 2, when the money comes through in 1992 to build that school and open it, that school will be at 1,324 students, which is quite intolerable.

Portables are fine—I taught in portables; my children go to portables—but portables put a horrendous strain on all the facilities: lunch facilities, library facilities, washrooms and playground area. If we are building schools now in this province that we know will be accommodating almost three times as many students as they were built to accommodate, we are in serious difficulties. We desperately need levies and that is only a beginning. We need much more. We need more innovative funding. I do not know if that is your job today to make those sorts of recommendations.

Peel understands that capital renovations will continue to be funded at 75 per cent of approved costs. In light of our continuing belief in the autonomy of local boards, Peel continues to endorse control of local revenues and expenditures by individual school boards, which Bill 20 does.

Since a precise definition of "affordable housing" has not been provided to guide subdivision planning and to ensure such classifications cannot be used to circumvent or escape full levies, the Peel board would recommend the elimination of such provision for reduced levies on affordable housing until such time as a precise definition is available.

I do not think anybody in his right mind is against affordable housing, but we are very concerned that if a precise definition does not appear in the legislation, there will be a lot of dancing around it and we may end up paying for things we should not pay for.

The Ministry of Education should proceed quickly, in close consultation with boards that are constructing new schools, to revise the capital grant plan to ensure that approved costs more accurately reflect the real and consistently increasing costs of construction.

Approved costs right now are approximately 70 per cent of actual costs. They have not been changed in the last 10 years. They have been slightly modified, but there has not been any real overhaul of the way you grant money and the way you suggest schools should be built.

You have downsized classes in grades 1 and 2 and there are all kinds of burdens with Bill 82 and special education. We are accommodating these kids and we are doing it very well, but we are building schools now that have to have special facilities for all these eventualities.

The grant system you issue money on is based on about 70 per cent of the actual cost of the school and on that we get less than half, so we are raising a lot of money locally and that is why the levies are going to be very helpful.

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Classroom loading factors should also be revised to reflect the impact of current class sizes on the true cost of school construction. Peel appreciates the assistance that ministry staff are providing as we continue to review these specifications. Until this is accomplished, however, school boards should be permitted to access lot levy accounts for the full cost of capital projects after grants.

The Peel Board of Education encourages the provincial government to continue to seek innovative and flexible alternatives to the current methods of funding new school construction. Your initiatives in this area are viewed by the Peel board as an important and essential supplement to the funding of capital construction. We wish to emphasize, however, that we expect the Ministry of Education to maintain its ongoing commitment to the funding of capital construction from general provincial revenues. There is a nasty rumour going around that levies are going to replace grants. We hope that is not true.

Peel endorses the concept of lot levies in the Development Charges Act. Our hope is that such legislation is only the beginning of many more innovative and imaginative methods of meeting the very intense need of high—growth areas such as Peel. Levies have inspired over:tures from the development industry that never would have occurred before their inception.

A co-ordinated effort between developers, local boards and Queen's Park may eventually solve the ever-increasing accommodation needs of the children of Ontario. We appreciate the consultative process and encourage continued dialogue in this area.

Appended to this submission is the Peel board presentation to the interministerial committee on financing growth—related capital needs made on 4 April 1989. It is behind the blue divider. We would like to highlight some areas of this submission for emphasis. I have lifted most of what is in there on to the pink sheet in front of you.

In the region of Peel, we are growing by 22,000 people per year. Our current 640,000 population will reach 900,000 by 2001. Peel public board will require 49 new elementary schools and six large secondary schools, at a projected cost of \$629 million in that period of time. Of our current schools, 70 per cent are over 15 years old and require upgrading. Land values in Peel have tripled in the last three years. We bus 27,000 students per day at a cost of \$17.2 million, or four per cent of our annual budget. That money is wasted. It is gone. Once you have transported them in a year, that money is gone.

Our current debt load through debenturing is \$83,300,000, resulting in annual costs of \$16.9 million in carrying charges, or another four per cent on our budget. I know some boards do not debenture. Our board has never hesitated to carry our share of debt. We have debentured almost to the point where some

of our trustees are getting a little antsy about it, but this is what it costs us a year to debenture.

We have 588 temporary classrooms, housing over 15,000 students; 15,000 students is probably a good-sized school board in a lot of areas you come from.

Also appended is the Growth Boards Coalition presentation made to the Premier (Mr Peterson), the Treasurer (Mr R. F. Nixon) and the former Minister of Education, the member for Wentworth North (Mr Ward), on 17 April 1989. It is behind a pale green sheet. Again, we would like to highlight sections on page 7 of that.

It is extending the concept of levies. It is considering designating school sites in the same way park land is designated now. It cuts down our costs and your costs considerably. Encouraging the building industry to pursue leaseback: all these proposals are there on page 7 behind the light green sheet.

Finally, we would like to stress the Peel board's and the growth boards' strong endorsement of the Development Charges Act. It has areas that need improvement, but it is a bold new step in the direction of co-operative funding of badly needed schools in a province that attracts the vast majority of the newcomers to Canada.

In growth areas such as Peel, 1,000 portables is not an unusual sight. Between the separate and public boards, we have over 1,000 right now. In those portables, 30,000 students are housed. There is a severe strain on lunch facilities, libraries, washrooms and playgrounds. It is not unusual to go into a small elementary school in Peel and see kids lined up all the way down the hall to wait to use the washroom at lunchtime, and kids having accidents because they cannot get into the washrooms.

The development industry is balking, insisting that levies will drive the price of housing up. In an industry flush with profit, with a product they can vary in price on an overnight basis, such outcries are quite self—serving. In an industry rampant with entrepreneurs who have turned new ideas into profits, such legislation will inspire some of the most innovative minds to best serve the accommodation needs of the children of this province.

We applaud the legislation. We commend the government. Peel encourages you to stand firm against the vested interests and short—sighted opposition that obviously will be presented to you on a day—to—day basis in this room. The children of this province need your commitment.

I am more than willing to answer any questions.

The Chairman: Thank you very much. I think your figures alone bamboozled us. The growth that is going on there is just incredible. The thrust of your presentation, frankly, someone has just suggested is very different from the one we received this morning from the Metropolitan Separate School Board. Are there any questions?

<u>Mr Ferraro</u>: You referred briefly to the flexibility or option that school boards may have—I am sure the committee will be discussing this at great length—about leaseback potential with developers. Did I understand you correctly when you were talking about it that you are essentially opposed to that idea?

Mrs Parrish: No, we are not opposed to leaseback at all. Right now, at the preliminary stages, we are very concerned that most of the approaches to us have been straight lease, so we just pay rent on a continuing basis. It is like living in an apartment. At the end of your 20 years in the apartment, you own nothing and the province owns nothing.

Mr Ferraro: So contingent on your concerns would be, not just straight lease but with an option to purchase.

Mrs Parrish: An option to purchase or an option to use the levies as part of the lease. I do not think that is in the legislation right now.

Mr Ferraro: I agree.

Mr Jackson: Do you have concerns about where you are going to come up with the funding for those schools that are not covered by this legislation?

 $\underline{\mathsf{Mrs\ Parrish}}\colon \mathsf{Do\ you\ mean\ the\ ones}$ currently under construction? Yes, I do.

Mr Jackson: About 15,000.

Mrs Parrish: The ones that are in that appendix 1. They are going to come to a physical planning meeting of our board very shortly and staff is going to be asking the trustees to bite the bullet and debenture all that and build them fairly soon, because as you can see by the numbers, we are really severely overcrowded. What we would like to do, and I think it is mentioned in the brief, is access levies retroactively to take care of this.

Mr Jackson: Technically, that is an impossibility.

<u>Mrs Parrish</u>: It is now, but I presume one of your jobs in this committee is to come up with some of those impossibilities and change them to realities. Do politicians do that?

Mr Jackson: Not and fly in the face of the courts, which is in fact what we would be doing, but I am sure your legal counsel would advise you of that.

More importantly, what we believe is a hidden agenda with this pool of funds that will be created by this, is not to have capital for the purposes of building schools, but in fact to have a pool of funds by which they can pay the interest charges, debt relief; in other words, to allow for you to debenture more and more of your school facilities. Not all school boards do. You do out of necessity, and that is a political decision that was made with the blessing of your ratepayers and your accountants.

There has been a recent Ontario Municipal Board ruling, and we can get more of the details on it, which indicates that school boards should not or could not exceed 20 per cent of their budgets for debt service.

You are obviously moving in a very rapid way towards that threshold. If in fact the long-term role for the lot levy fund is only for debt service, in other words, the plan is to debenture all schools in the future, is that not going to harm the Peel board's plans in terms of meeting all your needs, because you are already into it and because just the quantum of the amount you would have to finance is so extreme?

Mrs Parrish: First, I cannot take your supposition as a given. That is not my understanding of the legislation at all. I do not think the legislation was intended to help us carry debt loads. I think it is to finance—

Mr Jackson: The minister has been on record twice as indicating that is the encouraging factor about the—your language of creativity and feasibility has little to do with the development industry, but with school boards, with those funds.

Mrs Parrish: My understanding is that the basic fundamental purpose of the legislation is to have new development and new home owners pay for the new schools they are going to be using for years and years.

Mr Jackson: Exactly.

Mrs Parrish: If that is the intent, I wholeheartedly support it. If in fact, when you get a situation like the one you see in appendix 1 and appendix 2, where we have 1,300 kids in a school built for 500, and we have parents phoning on a daily basis because their kids are lined up at washrooms—

Mr Jackson: Yes. I was a trustee for 10 years in a growth area. I had 19 schools in my ward. I am aware of all that. I am trying to get a picture. You made your point that the current capital grant program is grossly outdated and does not take into effect all the program impacts the government has imposed on what constitutes a school today. Loading factors are irrelevant, but you build on the current government loading factors which are 20 or 25 years old. I am aware of that.

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I am simply trying to get from you a sense of how this legislation—out of necessity, you have already moved in the direction of this legislation which encourages debenturing. A lot of school boards have not. They are going to be able to address their needs from this fund a lot better than you will be able to because you are already looking at debenturing the existing need, which remained unaddressed from the \$1.2-billion capital forecast. You did get some of your needs met, but there is still a whole lot that have not been met. When we ask boards that question, invariably they have not debentured to meet that demand. I have been asking them how they intend to deal with it.

Mrs Parrish: We have debentured, as you can see, four per cent of our operating budget, so we are nowhere near the 20 per cent. What we are talking about right now is money that has been allocated over three years when normally money was allocated over one or two years. They have now stretched it to three years.

This is a stopgap measure for us and we have been doing that for the last couple of years. When the levy legislation gets into place, and now that it is also applied to commercial and industrial buildings, I think the levy pools will build up quickly enough that this will not happen five years from now. I think we are stuck carrying our debt load, but every level of government carries a debt load.

Mr Jackson: My final question has to do with the relationship with the separate board. We have had many presentations with respect to how you view your relationship with your coterminous board in terms of the fund, how it is arbitrated, how the development charges are arrived at and how the

government has ultimate say in terms of which boards get what funds from a single pool. I did not get anything in your brief on that point.

Mrs Parrish: Could you be more specific in your question? You are asking us how we get along with the separate board?

Mr Jackson: No, I know you get along well with your separate board. Most boards who come before us have given us suggestions with respect to protecting those funds which are earmarked for public school purposes in the fund. There is no clear way of doing that. There is no arbitration process; it is still left in the hands of—you are silent on that? That is fine.

Mrs Parrish: No, I am not silent on that. My understanding, in my reading of the legislation, is that the pool will build and the separate board will access that portion of it which is directly proportionate to the number of taxpayers it has in its area.

Mr Jackson: No, it is based on need, but that is fine.

The Chairman: Her answer is her understanding; yours may be a bit different.

Mrs Parrish: My understanding is that the pool will collect, and if we are accessing 20 per cent of the school building from our local taxpayers and they are accessing 60 per cent, then it will be divided proportionately.

Let me just check. John, do you know the answer to that? This is John Greeniaus. He is in the planning department at the Peel board.

Mr Greeniaus: Yes, I think there is some understanding in the administration-that it will be accessed based on approvals from the ministry which are based on the normal school approval process, at least the existing school approval process.

Mrs Parrish: I did not think there were any hidden tricks in there. I thought the division of funds was quite acceptable to the administration at our board and the proposed way of dividing it was quite reasonable.

Mr Jackson: If it is the same system we have now—some boards were complaining about the imbalance in terms of the recent capital allocation—if you were one of the boards that was satisfied with that—

Mrs Parrish: No, no, you are jumping to a conclusion. We were not satisfied with the recent capital allocation.

Mr Jackson: That is what I thought.

 $\underline{\mathsf{Mrs}\ \mathsf{Parrish}} \colon \mathsf{But}\ \mathsf{the}\ \mathsf{proposal}\ \mathsf{in}\ \mathsf{the}\ \mathsf{legislation}\ \mathsf{seems}\ \mathsf{to}\ \mathsf{set}\ \mathsf{it}\ \mathsf{up}$ much more clearly.

Mr Jackson: Even though it follows the same track, it seems to you that that would be okay? That is all I wanted to get a handle on.

 $\underline{\text{Mrs Parrish}}$: I do not think the administration had a concern about it or it would have been in our brief.

Mr Mackenzie: As the chairman said at the beginning, your data sheets and the figures are more than a little boggling. You get the sense that

you are desperate and anything goes. I guess that is the lead—in to one question I have. The development industry is balking. You criticized their arguments on the price of housing going up, yet you do not say in your argument here that it will not go up. I am just wondering what your perception is of the price of housing as a result of lot levies, whether it will increase or not.

Mrs Parrish: I think reasonably it will increase, but what happens in Peel right now is that without the lot levy legislation, without Bill 20, the current council collects levies to the tune of about \$11,000 per individual building unit. They will be cut back with your legislation to about \$6,000, and I am sure Hazel McCallion has been here to complain about it. That \$6,000 cutback is approximately what we calculate our education needs will be, so for the builders in our area there is going to be no difference at all in the amount they are paying.

Mr Mackenzie: You see it just as a transfer.

Mrs Parrish: I see it as a transfer. We will be accessing some of the money that the city council has been collecting for years. In other areas, if the price of housing goes up by \$5,000 or \$6,000 on a \$240,000 house, I bet if you stopped 25 young families on the street and asked them, "Would you rather pay \$5,000 more, which you are putting on a mortgage nobody even thinks about, and have a local school that is not overcrowded?" I think the answer is going to be that they would rather pay the extra \$5,000.

The other thing I do not understand is that the development industry is screaming so hard that this is going to just destroy new home owners. If I go to a little trailer and look at the price of a house on a Friday, by Monday it has gone up \$11,000. Nobody put levies on over the weekend. I mean, it fluctuates with the buyer's market. Surely the price is going to go up and they will use this as a wonderful excuse to boost it even higher, but I do not know of a single developer in the region of Peel who is losing money.

<u>Mr Mackenzie</u>: My concern is not primarily, and people would be surprised if it were, for the developers, but I do have a major concern in terms of the price of housing and affordable housing, which is just out of the reach of most people today.

Mrs Parrish: If I might just make one more comment, I think it is going to be divided out. A farmer who sells his land in Peel will get a little less per acre because the developer will pay him a little less per acre because he is going to say, "I have to pay levies." The developer will absorb a bit of it and the builder who buys the lots will absorb a little bit. The end home owner, of course, is going to get hit with another \$4,000 or \$5,000, but I stand by my comment. If you asked any of the young families in our area that are jammed into schools like Huntington Ridge: "You have just paid \$240,000 for a house. Would you pay \$245,000 to get a comfortable school at the end of your street?" the answer would be yes.

<u>Mr Mackenzie</u>: The question is whether or not this is the best method of additional funding and whether or not we are not just simply passing the buck even more in terms of the provincial responsibility.

Mrs Parrish: But it is the first time there has been something innovative in 20 years.

<u>Mr Mackenzie</u>: If it is innovative. Innovative may be an argumentative word.

Mr Ferraro: I move we extend this hearing.

Mr Reycraft: I just want to follow up on Mr Mackenzie's line of questioning. Have you done any calculations to determine what you think your levy will be in Peel?

Mrs Parrish: We have been pulling our hair out all day on that. Originally our calculations were in the \$6,000 or \$7,000 range, pushing \$8,000 even on some lots, but because the levies will go on industrial and commercial lots, it is going to reduce what goes on to the home owner. I think we are calculating about \$4,800 a lot right now. As I say, it will just take some from the city and put it in our pockets.

Mr Reycraft: You mentioned that you assumed Mayor McCallion had been in to tell us what she thought about reducing the levies that the municipalities could collect. You are right. She has been in as recently as yesterday. She and a number of other municipal leaders have asked this committee to broaden the definition of "capital cost" in the legislation. To do that would, of course, allow them to keep the kinds of levies they are now charging.

If we were to add your, say \$5,000, on to the approximately \$11,000 that is now being charged by the two levels of government in Mississauga, that brings us up to \$16,000 for a lot levy. Do you have any concern about a levy that large on housing in Peel?

Mrs Parrish: Yes, I do. I have two teenaged children, and I wonder if they will ever be able to afford a house without my having to sell mine and divvy it. Yes, I do have a concern. I think housing is completely out of control.

Just to clarify a point, I do not wish to criticize Mayor McCallion's presentation yesterday, because I sympathize with it. I think they have done a super job out in Mississauga of making sure they do not have much debt, accumulating levies, attracting building, but I really do not feel that building a library or building some other facility out there is more important than building a school.

If in fact the municipal levies stay the way they are and you have to add on for education, I have no problem with that personally. I do as a home owner or potential home owner for small kids or people growing up in this era. I cannot believe we are going to be able to put all these people in houses. But I do not want to do it at the expense of the city councils, because they have done a good job out there. I can sympathize with their concerns on rolling stock. They have been very supportive of our position on lot levies.

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Mr Reycraft: Indeed they have.

Mr Morin-Strom: I believe it was the mayor of Mississauga who indicated that she had suggested to school boards that there was no preclusion of school boards from getting on board previously on the lot levies and had strongly encouraged you to do so.

Mrs Parrish: We were afraid we would go to jail.

Mr Morin-Strom: The municipalities got away with it. Why did you think that schools boards would not have?

Mrs Parrish: As Mr Jackson pointed out, we were flying in the face of the courts. If you know Mayor Hazel McCallion as I do, she does all kinds of things that she is not supposed to do and gets away with them because she is just a very dynamic lady. I think the school boards are far more closely watched by the Ministry of Education. I do not think we could get quite that flamboyant without losing our grants or having some other slap on the wrist.

I would not be willing to do something that is illegal or that the ministry would frown on, because we need the capital expenditures. As I mentioned in here, I do not want this to replace provincial grants, because we still need them.

 $\frac{\text{Mr Morin-Strom}\colon \text{So you have legal opinion that going ahead with lot levies for school boards may in fact have been illegal?}$

Mrs Parrish: John, can you answer that?

Mr Greeniaus: We have had mixed experience in this area in the past. There was a time when Peel did have a very small levy system operational, one in Port Credit and one in Bolton. They proved to be very difficult for us because the council in Bolton changed its mind after it collected the levy and before it gave us the money. It necessitated going to court to try to get the money from them.

We were under the impression that the municipalities had at least some basis for going after the levies where the boards did not have any at all. The boards felt that they needed some form of permission to pursue the levy basis. When this whole issue came up and it seemed that it could become a reality, then it became of more interest to us than it had in the past. I think that is the explanation.

The Chairman: One of your recommendations was that we eliminate the provision for reduced levies on affordable housing until such time as a precise definition is available. Let's just assume we have that definition, as some might. What is it you would like us to be doing at that stage? We have given you in this legislation a fair amount of scope to deal with that as you will. What should we be doing?

Mrs Parrish: The recommendation I have from the administration is that if it is a very precise one and there is not a lot of scope to it, it is very easily defined and easily interpreted, then we have no objection. I think affordable housing should get a break.

Mr Jackson: On that point, even 25 per cent of all residential lots, which is what the government is currently considering imposing? That would be 25 per cent of your total pool, which is the point I raised yesterday.

Mrs Parrish: I am not comfortable commenting on that, John, are you?

 $\underline{\text{Mr Greeniaus}}\colon$ The obvious difference is that the 25 per cent that you lose has to be added to the 75 per cent.

The Chairman: We heard some submissions from the Waterloo County Board of Education yesterday to the effect that these people still have children who go into the school system. It is putting an extra burden on the others. You are not concerned about that.

Mrs Parrish: The public system accepts all children. We do not do a

pay—as—you—play routine in our system and I do not think any school board does. I think we accept kids who can carry their freight coming from large houses and kids who are on welfare. I do not think that is an issue.

If you come up with a fair and equal definition that is carefully applied, it is not the people we are concerned about; it is the developers who are going to use it to circumvent paying levies. We just do not want to get into that hassle. We would never expect a family to be paying enough taxes to keep the kids in our system. That is not an issue.

The Chairman: Mrs Parrish—and other witnesses—you are one dynamic lady, let me say. I think you have impressed everybody on the committee very much with your presentation. I think the Liberals would like to hear you all day but I might get some objection from others.

Mrs Parrish: We really appreciate your hearing and I really appreciate the questions. I did not wear a red jacket.

Mr Ferraro: No, but we will buy you one if you like.

<u>The Chairman</u>: Next we have Gary Stamm from Stamm Economic Research. Welcome, Mr Stamm. Your presentation is being distributed at the moment. Perhaps you could lead us through it and then entertain some questions.

STAMM ECONOMIC RESEARCH

. Mr Stamm: What I have to say is a good deal shorter than the material being passed around to you.

By way of introduction, let me just say that I have come as an independent citizen. I am not a member of a development company. I do not represent the Urban Development Institute on this occasion. I do not represent a municipality, the municipal sector or a school board.

I come because I have been involved in the fights over these matters of lot levies for the last 10 years of my professional life. I know what the issues are. They are gone over thoroughly by the lawyers on all sides.

The legislation as it is framed, I think, goes a good deal of distance towards resolving some of those disputes, but I think you will find, in the light of day, that there are many that it does not address. I would like to see the matter of lot levying problems disposed of, if possible, once and for all.

I also come because there is an independent voice issue that is necessary. I have heard a moment ago, and I am sure you have heard more of it, the issue of the fiscal requirements of the school boards. You have heard of the fiscal requirements of the municipalities. We have heard of developers with their needs for profits.

What we have not heard about, I do not think, is the fundamental manner in which this particular form of taxation will impose itself on the way the taxes are paid by Ontarians in a fair or unfair manner. I am here to ask that,

in fact, there be some changes made in order to ensure that there be more fairness in the system, because there are more actors in this issue than the municipalities, the school boards or the developers, for whom I do a good deal of work corporately.

There is in fact an unheard public. I am hoping to bring to your attention that there are needs of that unheard public that ought to be considered.

There was a brief comment made to that effect, when it was said a moment ago that in fact it goes into the second mortgage. The lady who just spoke very perceptively noted that someone pays it. The question is who and is it reasonable to ask new home owners to stick it all in their second mortgage.

Having said that, the bill as you now have it does, it seems to me, begin with the principle of benefit and benefit area. It does seem to indicate—it does not tell me clearly—that the intention is to have the benefiting area of a particular capital work pay for that capital work.

It then also deals with the issue of services. The problem we have is that this is not made clear enough in the legislation, neither with respect to the methods of taxation nor to the mechanics. There are in the regulations some contradictory statements.

Let me express to you what I believe to be the way that levies ought to be put into place. I believe that the benefiting lands, not new growth or growth in any definition, but the newly developing lands should have imposed upon them the charges for lot levies.

There is a lot of difference between what is called growth and growth-related capital and what constitutes land-development-related capital. I would ask that there be a clear definitional difference between those two.

I will give an example of where growth and growth-related capital becomes a real problem. What do you do in Hamilton, where 8,000 housing units occurred at the time when there was no population growth? That happened in Hamilton. The point is that if you calculate your growth as a population index, you end up with a lot of land development but no population growth and no basis on which to calculate the levy.

I have been involved in 12 or 14 cases before the Ontario Municipal Board where these types of technical issues ended up being very much in dispute. The way the legislation has been framed to speak to what is called growth-related capital, you have to define what growth is. Is it growth in income, growth in car ownership, growth in population? What do you mean?

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I would ask that there be a clear definition that growth for the purposes of this bill means the land development process, that this a land development-related tax and on the land that is being developed, and not some arbitrary growth-related whatever that leaves the lawyers for ever punching themselves and each other, and those of us who are witnesses occasionally, on such an issue.

The second point is that I believe the intent, as I see it and as it is enshrined in some of the bases of the economics of taxation, is that the benefits should be paid in proportion to use. I think that is more than fair.

In other words, if this area of development requires a pumping station, let this area pay for it on a shared use basis. If another area does not, then it should not have to pay for it.

The way this particular legislation and the regulations that have come out are written currently, it is not made clear as to how the mechanics of calculation of benefit use are to be undertaken.

Third, I can tell you that other jurisdictions, both in Canada and elsewhere, use a system whereby the benefit of a particular capital work from the capital works budget is immediately transferred to a particular area of land that will benefit and it goes on title as a cost that must be paid. This is done presently in this country in Alberta, among other places. I have examined it also in Europe—I spent a month there, the last month approximately—and they do it this way in Munich and they do it this way in Hanover.

In other words, it is not a system that is not workable. It is highly practical that a capital work be related to the specific acres that it is intended to service and those acres have the cost of that capital work put upon them as an absolute capital charge.

The concern I have with the legislation is that services are not adequately defined, in my view, and I know what the developers would like to see you do, put as few in as possible, and the municipalities as much as possible. I see that "'services' means services designated in a development charge bylaw." So no one really knows what the word "services" means, according to this piece of legislation, unless one uses the "front—end services," which is section 1 in the definitions, to be the definition of services.

Do you or do you not include arenas? Do you or do you not include libraries? If you do, how do you include them?

The major difference between some of the services is that, once placed in the ground, a pipeline services that piece of land for ever. You cannot move, you do not move, a sewer pipe. So you do not move significantly in any sense the service area of a particular capital work, whereas many other capital works have a use relationship to the community which is not clearly defined between the so-called new resident and the so-called old resident.

I would ask that for each of those cases, because of the abuses that I can point to personally in the municipal structure—I am not surprised. The municipalities will take it from where they can get it and I understand that. But the abuse potential of leaving an open definition of what services are is going to lead in the next 10 years to more rounds of discussions and more rounds of fights and more rounds of appeals and what have you.

I would suggest strongly, if I may, that there be the uses in the hard services end and those soft service uses that you wish to include explicitly declared. Give the developers and municipalities a list, eight, nine, 12, however many you want, but give them an explicit list.

The third area I have a problem with in the legislation as I see it and with the regulations, and I am referring to the municipal charges more than the education matters, is that the mechanics of calculation create a little fuzziness with respect to what I think the intention is.

First of all, there is no difference between one kind of service and

another with respect to how it is to be calculated. There is no mandated method of calculation. That concerns me greatly, knowing how this sort of process has been undertaken by Ontario municipalities over the last 10 or 12 years. I must tell you that there are probably 100 different methods that have been tried out there somewhere.

Yet there is not even a statement of requirement, according to the legislation or the regulations, that the benefitting area be defined by engineering terms; in other words, if you are going to have a storm drainage system, that in fact that area which is drained by that facility be the area which must pay for that service. What it says in the regulations is that it can be either uniform or area—specific and then says, frankly, little more than that. It does not say that for hard services such as sewer pipes, such as water treatment plants, such as standpipes, such as sewage treatment plants, these shall be related to the lands that they service.

One of the bigger problems is that there is a request in the regulations that only the next 10 years of capital projects be included in the development charges bylaws. I believe that should not be done. A great many of the capital works required, such as storm sewers, such as sanitary sewers, such as sewage treatment plants and so on, are required for future growth that exceeds beyond 10 years. That is too short a horizon. I suggest that you specifically ask, and the engineers do it anyway, that the land areas that have been identified by the engineers with respect to that plant or that facility be specifically marked out. It is not a difficult task, it is done elsewhere in the world. In the end it assures, in my view, the fundamental fairness required in what I think is the most critical area, that the right people pay the correct costs. Thank you.

The Chairman: Thank you very much. Mr Jackson has questions.

<u>Mr Jackson</u>: A very interesting presentation. You were easy to listen to and follow because your brief is rather extensive.

Mr Stamm: I have been through it often enough.

Mr Jackson: You made an interesting point that I have been waiting for someone to twig on to and that is the nonpermanent nature of the capital works of a school.

Mr Stamm: Yes.

Mr Jackson: Having been a trustee, I oversaw the declaring as surplus and redundant nine schools in as short a space as 18 months.

Mr Stamm: Yes.

Mr Jackson: Which were sold off and the community objected on the basis that it depreciated their real estate values. The corporate rationale for the school board was that those monies were needed in the grand scheme of things with the Ministry of Education to pay for growth in other areas.

Mr Stamm: Yes.

Mr Jackson: You have made the point about the nonpermanent nature of some of these works. If growth is being particularly taxed, in addition to the regular taxes to build a school and 20, 30 years down the road it is no longer needed, could there not be an argument made that we paid for part of that

school and that it therefore should be returned to the community which paid for it, or there might be some form of embargo on the transfer of the school to cash as opposed to retaining it as a community based facility?

Mr Stamm: Yes, in principle you have a problem and it is this: A municipality either is the deemed community of benefit or it is not.

Mr Jackson: Right.

Mr Stamm: If you are going to have only a part of this community pay for this arena, then why should all kids get to use it? I think in many of those areas where there is multiple use potential out of the municipal capital, that speaks in favour of using debenture systems, as opposed to second mortgage upfront capital cost to new residents only. There is no question, if you put a school to use subsequently for a more general community facility, the people who paid for it originally ought to have their noses out of joint. They will likely be long gone and have sold their houses and so on and there will not be too much ruckus about it in many cases; in some cases there will.

If you look at my brief for a moment, on page 11, which is under "Factors Guiding the Design of a Lot Levy Policy," number five says, "In order to ensure fairness, where a project involves general municipal benefit as well as area specific benefit...a reasonable proportion of the project cost must be assigned to the municipality as a whole." I have also said—let me not bore you with trying to find it.

Where in fact subsequently, if the new area paid for its new community hall, can you ask reasonably that those people also then pay through their general tax revenue to replace the existing community hall in the old part of town?

Mr Jackson: Exactly.

Mr Stamm: There are these areas of fundamental difficulty with an attempt to create a user charge system. That was done by this province in the 1940s with the Local Improvement Act and in many respects this bill attempts to be a broadened basis of the Local Improvement Act.

I think the principles of having the costs of integrating new land go in and be charged to the land are fair. However, I think that you cannot also ask those people, if they are paying any capital, to pay additional capital. Then you should go back and encourage the use of the Local Improvement Act to replace older facilities elsewhere. It gets to be a fairly messy system in respects, when you remove it away from water, sewer and hard capital works.

Mr Jackson: I am pleased that you raised it because I happen to believe that is one of the cornerstone arguments that the home builders will make before the courts. It is a sound argument. Whether the justices will concur is another matter yet to be determined. But it will on the face of it be an extremely sound argument, given the fact that a specific new growth school, a function of this levy, could, because of the unusual complicating factors in developing who goes into a school—you might have kids from an older part of town being bused into that brand new school—

Mr Stamm: That is right.

Mr Jackson: —to have French language programming, whereas kids who

were living in homes where a lot levy was charged might be bused out to an older school or are in a portable. Those situations will be very common. I know the home builders will be able to cite those with a high degree of accuracy to present to the justices.

Anyway, I just want to thank you. I have waited until someone hit the point because otherwise the chair would cut me off if I tried to raise the point.

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Mr Stamm: The concern there is that a municipality—if I may use the simplest method of definition—should not be permitted to become a country club. In a country club, these assets are owned by the co-operative grouping, but the existing owners own it. A municipality in law and in functional purpose in our society cannot become such an animal. I am afraid, in many respects, that is what has already largely happened.

 $\underline{\text{Mr Ferraro}}\colon$ Thank you for a very stimulating presentation. It will certainly require more thought on my part.

There are two points, the point you made about the definition of growth and the direct bearing on land and the definition. I think I understand what you are saying and I suspect there are a number of definitions. Just off the top of my head, any improvement to land may in itself be a definition of growth.

But setting that aside for a minute and to get to the point that I understood you are to some degree enhancing, that is that the right people pay the cost of the services in that area, and that, indeed, why should the general community have to pay for certain facilities that would be, by and large, subject to that restricted area? Is that correct? That is refreshing in itself in that we have had some arguments made that the community benefits—you may have read some of the briefs—and that they all should pay in some degree.

If you take that example, let's use a subdivision and the example you alluded to in that it is a permissive charge to charge a portion of the lot levy for a new sewage treatment plant. I accept your argument, quite frankly, that you have to go beyond 10 years and plan ahead. But if you have the user-pay philosophy and you oversize, as any rational municipality will do with a sewage treatment plant, and we use your argument that, okay, that group should pay only for the capacity as per engineering studies that they will utilize—the 8,000 lots in Hamilton, to use that example, assuming they are on the market—then you finance the balance, essentially, through the general mill rate. So how the hell does the person who comes into the subdivision 20 years from now, who is going to take the benefit of that sewage treatment plant, pay for it?

Mr Stamm: That is a thorny question which I am prepared to privately spend hours with you in discussing because there are some economic matters and marginal incremental costs on how to cost it—who gets the benefits and economies of scale and all the rest of it.

 $\underline{\mathsf{Mr}\ \mathsf{Ferraro}}\colon \mathsf{I}\ \mathsf{am}\ \mathsf{no}\ \mathsf{economist}\ \mathsf{and}\ \mathsf{you}\ \mathsf{are}.\ \mathsf{You}\ \mathsf{have}\ \mathsf{me}\ \mathsf{at}\ \mathsf{a}\ \mathsf{disadvantage}.$

Mr Stamm: I may be at a disadvantage there too because it is complex

subject. The way to do that has normally been the following: You debenture the facility and you charge it on the water rate in relationship to the users of the facility. What happens down the road now is the following: It is legitimate, as the regulations suggest, to take the proportionality of the unpaid portion of the interest, if you will, and accrue it for the undeveloped lands, provided that you allow for depreciation. That is entirely fair.

When those funds come in, they go back into the general revenue and provide to the existing public that helped pay for it in the higher water rate by reducing the water rate over the life of the facility. It is technically done all over the place. I do not really understand why, but there seems not to have been the depth of research with respect to methods used in the jurisdictions that I would have hoped to have seen in some technical documents associated with this particular act. But that is done all over the place and it works and is entirely fair.

Mr Ferraro: Those types of calculations appear to me, on the surface, to be mind-boggling. You obviously think they are not that way.

Mr Stamm: In fact, they are not. I can demonstrate a number of cases where engineering firms have done them in full. I have one for Fergus and I have one for Orangeville. It is not a complicated exercise. The actual municipal accounts are buried in with the municipal capital works budgeting process once a year. It is not a mind-boggling exercise by any means. Many jurisdictions do it. But I realize that many municipalities are saying it is complicated, I think partly because they do not want to be controlled more than necessary with respect to how this is done. They leave a little sludge in it, if you will.

Mr Ferraro: I think that is true.

Mr Mackenzie: I have two very brief questions. First, could you
explain a little your country-club comment, "They should not become country
clubs."

Mr Stamm: A municipality is a particular social organization that has responsibility for the totality of the public, the poor as well as the rich. As you know, there is no Berlin Wall here. I spent 10 days in East Germany recently and there is no mobility control in Ontario, nor should there be. People can in fact live where they choose with respect to housing capacity that is available.

With a country club, the essential concept is that the assets are owned by the membership; that is it. They are entitled to sell it or do with it as they co-operatively wish. You could not impose that on the province of Ontario in the municipal sector. You would end up leaving an enormous portion of the public totally unrepresented.

The way that municipalities have utilized these types of funding processes—and that includes Hazel McCallion, for whom I have a high regard, and also people in Vaughan and elsewhere; at least, I would have done it if I were a municipal politician also—is they in fact have used this as a gateway entry fee; they have used it as a source of funding. If you like, they are profit—sharing with the developers. That is really what they are doing.

As a way of basically controlling, they are using the planning process to develop the highest-price lots possible to get their communities to conform in Markham and Vaughan and elsewhere to what they want. None of that sort of

thing worries me personally; I have a nice home not far from here and so on, but it is a process that has slowly but surely been coming in. I do not think that looks after what a municipality should be doing in our society, which is looking after everybody, within a society that allows mobility freedoms and ensures accessible housing to its public as a whole.

I am very much afraid that when you permit the thinking that the existing ratepayer owns, in a proprietary private—capital sense, the municipal asset, I think you are running the risk of losing the sense of what the public sector really is.

Mr Mackenzie: My second question is, just briefly, what would your position be in terms of the lot levies for education purposes?

Mr Stamm: Two positions: First, should the system be funded by the municipal sector? Because it is a merit good, I think the province should be looking after getting that whole process and that sector funded. I do not think that in 1989, education is any longer—

Mr Tassonyi: May I interject, Mr Chairman? I do not think education
is a "merit good."

 $\underline{\mathsf{Mr}\ \mathsf{Stamm}}$: Excuse me, in economics, it is a definition of tax theory; it really is. It is a technical term.

Mr Tassonyi: I know it is a technical term, but I would really question—if you are going to quote things like that, then I would prefer that you give a finance source, like Musgrave and Musgrave or—

 $\underline{\mathsf{Mr}\ \mathsf{Stamm}}\colon \mathsf{I}\ \mathsf{will}.$ That would be Musgrave or John Due. I would be glad to do that.

Mr Tassonyi: -but I fail to see that education is a merit good.

The Chairman: Let Mr Stamm finish his answer.

Mr Mackenzie: I would like to hear the answer on what is before us; we can argue or not about our dissent here.

Mr Stamm: In my opinion, it is a good that the public sector wishes to see everybody have and have access to and it is therefore a merit good. I will debate the definition of that later, if you will.

In that instance and where—in fact I think it ought to be based on general ability to pay, not benefit principle. You cannot make the students pay for education. It should be based on a tax sourcing which relates itself to the ability—to—pay principle, therefore, an income tax or other form of ability—to—pay tax. Not the property tax. I do not think that is the right vehicle to do that with.

If you are going to continue using property—tax sourcing for education, then I think it is reasonable to use the lot—levy system, because the current system of having developers grant so much land and so forth is not a fair one either. It is one that imposes significant difficulties and problems on the current development pattern; the developers fight as to who has to give up what acreage. It is that the system does not work.

Mr Mackenzie: Part of that is being whether or not they give it to you at market value.

 $\underline{\textit{Mr Stamm}}\colon That$ is correct. That system is worse, in my view, than the system being recommended here.

The Chairman: Mr Tassonyi, do you want to make any comment now just briefly?

Mr Tassonyi: No. Actually, I would like to ask Mr Stamm a separate question related to the mechanics of lot-levy calculation. Do you feel it would be preferable to put something into regulation on the mechanics of calculation, something which could cover or attempt to cover the very different approaches followed by the city of Mississauga and the region of Durham, both of which have been deemed to be acceptable by the local development community?

Second, a further question which I would like to add just in passing as well is that your approach on page 10 is the marginal—cost approach essentially, in the sense of the beneficiary's receipt of the benefit of infrastructure, so to speak. In view of what Metropolitan Toronto, for example, proposed to the committee this morning on the redevelopment issue, I think your view would make it very difficult for an established community to try to define the benefits and create a lot levy policy.

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Mr Stamm: The second question and then the first one.

First, it is not a marginal-cost approach; it is the full-cost approach shared on an average-cost basis for the incremental hard capital required for land integration. If you wish to ask, "Should you have levies also on downtown development, for example, on downtown sewer needs, to satisfy the large office towers?" by all means go to it. I think that is entirely appropriate and reasonable. That is not a marginal-cost approach at all. How you apportion the cost given the economies of scale is a matter I can also shed some technical light on.

The second thing is that Durham's approach has been considered reasonable and so has Peel's by the development community. Frankly, I am not here for the development community. Those people want to pay the least and get out.

Mr Tassonyi: That is not my question.

Mr Stamm: I think the role of this Legislature and the wider public is to say, "Look, municipalities, it should be done on a basis that we can live with during good times and bad." Right now, I have heard about how profit is so great and it is not such a big deal. I was here in 1981 when land prices dropped from \$1,700 a front foot to \$1,000 a front foot in about a period of 11 months. Then suddenly the developers did not have the money; they were all running in the red. Do you think it will lower the levy because they are running red? I do not think so.

I think the legislation of the system should be fair to the principles of taxation in a constitutional manner, be able to work for all time and be calculable practically in a fair way across all municipalities. I do not think there should be the flexibility in it that you can do deals here and do deals there. I do not want to see more municipalities dealing with developers that way. I want to see the public thoroughly protected in an explicit manner as to what it must pay in taxes. I do not negotiate my income tax. Why should

somebody's tax, when buying a house, be negotiated? This is tax. We are not talking here about some business deal. I have a personal view that it is very important.

Mr Tassonyi: If I may have the indulgence of the chairman, I am afraid you may have taken my remarks in the wrong direction. What I was asking you essentially is the difference between the Mississauga mathematical method and the region of Durham's mathematical method. The two differ. Mississauga's, as I understand it, attempts to project the whole expected population and the infrastructure needs going out for a period of 25 years. Durham tends to look at it in a present valuing technique framework.

You suggested to the committee that the legislation and the regulation were deficient in some sense, because they did not address the technical calculation methodology. I would just like to have your opinion because you seem to be stating that we should have put in place a specific methodological construct to cover that.

Mr Stamm: Yes.

Mr Tassonyi: I just want to be clear that what I am asking you is just that point.

Mr Stamm: I am asking for such a construct. It is not the one that is used by Durham, where people pay in Port Perry for services that are accessible only if you live in Ajax or Pickering. I think that is not fair in their case.

In the case of using the population—based method of growth, I think that is unfair to Mississauga, because there are acres of land that are being developed and those lands and their needs should go. For example, the sanitary sewer from an acreage basis is a design population issue, not what is going to happen in terms of existing houses depopulating with teenagers leaving.

There are too many mechanical problems with the population system and there are problems with the application of the unfettered uniform cost across the municipality system. I think there ought to be specific engineering ways of doing this and yes, you should mandate them in regulations, absolutely.

The Chairman: We appreciate your spending your time putting together a brief and giving us the advantage of your expertise. Obviously it has been carefully listened to.

Mr Stamm: If you wish some more detailed method or some of the methods in practical applications, I have those available if you like.

The Chairman: Next, we have the York Region Board of Education, Mr Bennett and Mr Crothers, trustees. We have a brief, exhibit 43, in front of us. Perhaps you can identify yourselves and lead us through the brief and then leave some time for questions.

YORK REGION BOARD OF EDUCATION

Mr Crothers: My name is Bill Crothers. I am a trustee with the York Region Board of Education. With me are Karen Barker from Newmarket and Paul Bennett from Thornhill, who are also trustees with the board of education. I should also acknowledge, because I will be making some references to them in my brief, so that you do not think I am doing so behind their backs, that in

the audience is Frank Bobesich, who is the director of education for our coterminous system board, the York Region Roman Catholic Separate School Board.

The Chairman: Is he going to endorse everything you say?

Mr Crothers: I doubt it very much. He will be here to talk to you tomorrow, I believe.

We are here to speak very strongly in support of Bill 20, as I am sure you are aware. It is not my intention to read directly from the brief that we presented to you. It is my intention to highlight and update some of the comments or some of the sections in the brief. The brief you have received was prepared by a special committee on provincial funding that our board created in January of this year in response to what we consider to be a crisis situation we were facing as a board.

We were also quite active in the formation in March of this year of the Growth Boards Coalition, to which Mrs Parrish made reference in her address to you two presentations previously. We all share the same common growth problems and we joined together as a group to try to press for support of this particular piece of legislation.

Because this legislation means so much to us as a board, we have also been very active in pressing our support of it. We made a presentation to the Ontario Treasurer. I believe we were the only school board to do so. We were also involved in presentations to the committee of parliamentary assistants that was reviewing the green paper which preceded this bill.

If I can tell you a little bit about ourselves, York region is an amalgamation of nine municipalities of some 600 square miles immediately to the north of Metropolitan Toronto and extending as far north as Lake Simcoe. Between 1981 and 1988, our population grew from some 252,000 to approximately 409,000 residents. The recently released Treasury and Economics paper on growth in the greater Toronto area to the year 2011, with its upward revisions of population projections for the year 2011, indicates a population in York region of some 802,000 people.

Last year, our board serviced approximately 58,000 students and our coterminous board in the region served some 33,000 students. Both our boards are growing at the rate of approximately 4,000 students each per year.

I should also mention too that virtually all the growth that both our boards are facing is as a result of new residential development in the region. Together, we share a very serious growth problem and we jointly support this legislation.

On page 3 of our brief, you have a chart which shows growth populations for our board from the year 1988, with some 58,000 students, to the year 1998, where the projection is something in excess of 100,000 students. The previously referenced Treasury and Economics paper is projecting a population some 13 years later of some 800,000 residents. Our projections are based upon a population in the year 1998 of some 585,000 people, so it is pretty apparent to us that our growth is expected to continue for some time and also to continue at its current rate.

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Currently in our board we need to build the equivalent of one secondary

school and five or six elementary schools per year to keep pace with the growth. We share that in common with our sister board. We, as a board, have yet to offer the junior kindergarten program, so we still have to factor in that in the five—year implementation period that we have been given. The growth in that program alone will add the equivalent of another four elementary schools to our needs.

On page 2 of our brief, we indicate to you that our needs for the next 10 years for the capital needs for new growth of new schools at some \$500 million for the next 10 years. In addition to that, the rapid escalation of land prices that we have seen in our region, and the hardened response or position of the developers in our regions in selling to us land sites for new schools, will add an additional \$150 million to that figure. That is just in the changes in the prices in this year alone. In addition to that, we have a construction backlog of some \$200 million. In our school system, we currently have 672 portable classrooms. In addition to that, we have current repair and renovation needs in our system of some \$40 million.

If you add up all those figures, for the next 10 years in our board alone, we are looking at some \$890 million for capital needs in reference to the building and repairing of schools.

Admittedly, our sister board and ourselves are extreme examples of the needs in the province that are facing the high-growth boards, but they are not really dissimilar to problems that are facing other growing boards, just worse. We are a large board. We serve a very large geographic area. We have both urban and rural populations that we serve, and we are facing tremendous growth that we really do not have the resources to cope with.

Based on the current grant rates that we are looking at without the educational development charges, we are looking at having to finance some \$600 million of that \$890 million expenditure that we forecast over the next 10 years out of our own resources. That is for the next 10-year program. Our current budget for 1989 is some \$335 million. That is our budget expenditure for 1989. If you want to draw an analogy, the requirement that we have for capital expenditure over the next 10 years is almost the equivalent of two full years of our current expenditures. It is a very severe problem.

Despite a freeze that we have placed on new initiatives within our board in the last year and a half, our taxpayers faced a mill rate increase this year in excess of 16 per cent. Despite that fact, we have yet to feel, as I will explain later on, the full impact of the growth that we are facing. Unless we receive additional capital revenues in some form or another, as mentioned at the beginning of the thing, our particular board is facing a severe financial crisis. Our taxpayers are not going to be very happy with us if we have to continue the same kind of tax rate increases that we face this year.

How have we coped with the growth since 1981? In the last five years, in the York Region Board of Education we have added approximately 17,000 students to our enrolment. We have also added 498 portable classrooms. That translates into the equivalent of almost 12,500 of that 17,000 increase in enrolment that is being accommodated in portable facilities.

When school starts next week in our board, 30 per cent of our students will be housed in portable classrooms. Fifty per cent of our students will be transported to school on buses. We are looking at a lot of alternatives. For example, right now we have a committee of our board looking at the renting of

empty facilities in neighbourhood schools boards. We are also examining very seriously the 12-month school year. But despite all these things, it is pretty apparent to us that we are still going to require many new schools over the next fairly extensive period of time.

How do we respond to some of the issues that are being raised by people who have some concerns about the school development tax? The first one I should mention is that while we are very, very sensitive, as I am sure you people are, to the concerns that have been raised about the potential increase in house prices because of the education development tax or taxes, as we state on page 20 of our brief, we do not believe that there will be any significant impact in York region. House prices are currently levelling off and are market determined and have been for some time in our region.

However, even if there was an impact, we would be far more concerned about the impact on our mill rate if we do not get the land development tax, particularly on those of our residents who are long-term residents, our senior residents, those who have grown families and those who are on limited incomes. We must have an alternative to municipal taxes in order to meet the capital needs that we are facing, just as our municipalities currently have, I might add.

The only options that seem available or apparent to us at the moment are two. One is the education development tax, and the second would be vastly increased government grants. I think we have too much respect for your position as legislators to suggest that the increased educational grants would be the most appropriate solution.

There have also been suggestions from those who may oppose the educational lot levies on the basis that they represent a transfer of the responsibility for funding of education from the provincial government to the municipal governments. While like all school boards we have some concerns about the level of government funding for education in general, on this particular issue we are not too sympathetic towards that argument.

To the growing boards like ourselves who are living with growth, there is a reality that we have to deal with and that is, how do we raise our share of the capital cost? Even with lot levies, we are facing severe, directly growth—related costs such as the financing of the equipment and the furniture that goes into the schools, such as carrying the debenture costs for the debentures we already have and for those that we will be facing in our catch—up period to meet the backlog for the salaries of the staff that we have in our board who are dealing with the growth problems in the plant and in the planning departments. These costs will already eat up about 10 per cent of our operating budget.

To us the issue really is not whether the provincial government is going to fund \$250 million or \$300 million of that \$890—million figure that we are facing. The issue to us is how we are going to raise our \$600—million share of the revenues. We believe that educational lot levies are far preferential to using the local mill rate tax increases as a source of raising those funds.

In conclusion, I should say that we strongly endorse section 3 of the Development Charges Act and we urge you, if we can, to proceed as quickly as possible towards its implementation. I would also like to thank you very much and indicate that we look forward to answering any questions or hearing any comments that you might have.

The Chairman: Thank you very much for your presentation. Are there any questions?

Mr Reycraft: When you construct a new school, are any of the appurtenances that are required inside that school eligible for grants under the capital grants program?

Mr Crothers: What do you mean by appurtenances?

Mr Reycraft: Desks and so on.

Mr Crothers: No. That is furniture and equipment and that is currently outside the grants system. In response to that, I would suggest to you—and it is really outside the scope, I believe, of the consideration of the act itself—that to us what is really significant or really important as to the benefits we derive from Bill 20 would depend upon the extent to which the Ministry of Education alters or changes its capital grant program to reflect the reality of the costs of building a new school.

What happens right now in our particular board is we get equivalent to between 33 per cent and 40 per cent of the cost of building a new high school. For example, if a new high school costs \$17 million to build, the approved cost of that high school is somewhere between \$11 million and \$12 million. Unless the grants formula is altered to raise that figure, we still would be faced with costs of \$4 million or \$5 million per school outside of the lot levy that we would have to finance with our local tax revenues.

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The indications that we have had from the ministry are that they acknowledge that, they agree with that and that would be one of the factors they would look at to make the system work. We encourage them in that area.

Mr Reycraft: Has your board done any estimates or calculations to try to project what the levy would be if the legislation goes forward?

Mr Crothers: We had done some preliminary work on that on the basis of the original green paper. The figure that we were estimating coming up with was something in the order of \$5,000 to \$6,000.

There are two factors which affect or will alter that. There was a transition from the green paper to the legislation and the legislation included the extension of the lot levies from housing to commercial and industrial. One consideration is that it permits us to extend to commercial development the lot levies which in fact will reduce the education lot levies. The legislation permits our board to determine to what extent it wants to use the commercial development. I think it would be presumptuous of any of us here to say what that figure would be because that would be something we would have to first discuss within our own board and then discuss with our municipalities.

In our particular case, our municipality's initial reaction would be to be against the imposition of education lot levies on the commercial ones. So I think in our view we cannot answer that question directly, other than to suggest to you that probably it will be something less than \$6,000.

Mr Jackson: Thank you. It is good to see you again. Boards have been coming forward saying two things and you said one of them. One is that we should return to the old grant formula of 75 per cent instead of the 65 per cent level.

Mr Crothers: That was not the one I was referring to.

Mr Jackson: I know you were not. I am just saying what other boards have indicated. I am going to ask you whether you support that view. Some have said, "At least fund us until the lot levy fund is fat enough that it is usable." The second point was the one you raised, which is to adjust the grant formula to reflect actual costs, and there are a variety of factors that contribute to that.

Do you realize that should the government do that without providing any additional moneys, you actually are going to eliminate some of the schools that already have been committed to the York Region Board of Education? The government's argument was, "We will build more schools if we take the same amount of money but spread it out." I am a little nervous about that. Unless the recommendation is for more money from the province, the effect of following your recommendations is to build fewer schools but to have them more fully funded by the province.

Mr Crothers: I am not sure which one to answer first on that.

Mr Jackson: Take your pick.

Mr Crothers: I will try to answer in a couple of other ways. One of the things that we originally saw doing towards the additional benefits with the lot levy provision for school boards was to accelerate the demand and speed up the process of approving new schools. As I mentioned to you, in our particular board, 30 per cent of our kids—and it is higher in our separate school board, our sister board in our region—are in portable classrooms. Some of those can be justified on the basis that you do not want to build a school to capacity—and you referenced this in the last two speakers—and then have to close it 10 or 15 years down the road. So we accept that and use portable accommodation to expand the capacity of a school to meet the peak demand and then constrict to meet the ongoing demand for that.

Nevertheless, a good percentage of our portable classrooms are there because the kids are being held until the new schools in their new communities are built. Almost all the demand in York region, for example, is because of new communities that do not have anything. They were fields until they started building the houses.

We are hoping that would accelerate the approval process from the provincial government, the fact that there is a good portion of the money sitting in an account to build that school. At the same time, we also acknowledge that puts an additional demand on an increased numbers of dollars having to come out from the province.

It is the same thing with an increased grant rate where they pay a greater percentage of the cost. That will do one of two things. It will increase demand on the Ministry of Education to provide more dollars for capital grants or else it is going to mean the approval of fewer schools.

We are aware of that. We have concerns about that but, in total, we-

Mr Jackson: I would like you to take a stand on that.

Mr Crothers: --feel that the pressures will be on the government to-

Mr Jackson: Do you have difficulty taking a stand on that?

Mr Crothers: No, it does not bother us. That is an element of risk

that we are willing to take because we think that good sense and goodwill ultimately will prevail. We think there is a far greater chance of that happening than that the government will discover a source of funds so that they could pay 100 per cent of the cost of new schools because, the alternative that we see to that is an increase in our mill rate and that, to us, is the least attractive of the options.

Mr Jackson: I want a quick, one-word answer: Do you have the percentage of your total budget that you are currently debentured?

Mr Crothers: By the end of this year, we will have about \$60 million in debt load. Our debentures this year will take about \$9 million out of \$335 million.

What has happened in our board, our growth was behind Peel's, for example, and we are only starting to build new schools. In the last approvals, we got 13 schools approved. We will open four new schools in September 1989 and four new schools in January. That will be eight new schools. We have 13 schools in various forms of construction right now. We have 21 schools in the process of being constructed or being planned.

Most of our growth is now occurring so our debenturing, if we do not get the lot levies, is just starting. That is reflected in the fact that of our 17,000 new students in the last five years, 72 or 73 per cent of them are being housed in portable accommodation.

The Chairman: Did you give an answer there?

Mr Jackson: About nine per cent. He did not give that as an answer but—

The Chairman: You did.

Mr Crothers: It is \$9 million out of \$300 million, so it is between three per cent and four per cent.

Mr Morin-Strom: In a board like yours, which has such a tremendous pent-up need for new school construction, I wonder whether you have experienced particular difficulties in getting authorization from the ministry for your school construction plan and whether you have actually ever—I do not even know whether you legally can—proceeded to build or expand a school, fully funded by the board, without ministry approval and the share of costs that would come with it.

Mr Crothers: In the recent past, our school board has not built any new schools. We have certainly done a lot of renovations and repairs outside the provincial grant system. We will probably spend \$8 million or \$9 million in this fiscal year for repairs and renovations for things that were not authorized or not covered by grant from the Ministry of Education, but not in the area of new schools.

Have we faced delays? It depends on what you mean by a delay. As I mentioned, in five years we have had 17,000 new students. The equivalent of 12,500 have been accommodated in portable classrooms. It would be ridiculous for us to say and argue—and I think it would be shared by our sister board—the approvals have not come as fast as we would have liked them to come and would have been necessary to house those students as soon as possible.

Nevertheless, we still do get the approvals. They have been coming, albeit a little bit late, and we have had the capacity to absorb and to wait for that.

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The ministry, moving into the area of preapprovals, as it did a year ago and this year, primarily this year, approved 13 new schools for four years down the road, the second, third and fourth year, where it said it would fund the money but it gave us the approval to proceed with the schools. There is a change. We were very appreciative of that change. At the same time, we could probably sit here and say it is not as fast as we would have liked. It is a very definite improvement from what it was and we applaud and we appreciate that.

Mr Morin-Strom: You have never been put in the position where you felt you had to proceed on a new school regardless of the ministry approval, but in terms of renovations or presumably even adding classroom capacity in existing schools where there were tremendous pressures, you have decided to fully fund and move in advance of approval or given up hope that you would ever get an approval?

Mr Crothers: I think Mr Bennett would like to answer that.

Mr Bennett: Sure, I will take that one.

As far as I am concerned, you are dealing with a very fiscally responsible school board, as I think you can tell if you look at our whole record. We have been faced with this tremendous wave of growth and we have been trying to cope in the most fiscally responsible manner possible and that has meant kind of trying to postpone the problem by adding portables. Thus, we get the tremendous buildup of portables waiting for ministry approvals to go ahead with the construction of new schools.

We have been playing along with the rules as they have been written, but I think Bill has pointed out an important new wrinkle in this is that we now have the approvals for 13 new schools spread out over three years, so in some respects we have all that we need to proceed.

The funding, of course, is going be flowed through over a three—year period. We would like it to come faster, but one of the arguments for this piece of legislation is that once we get it in place and the lot levy fund accumulates, one of the points we make in our brief is that we think this will accelerate the rate of approvals for new schools. Once we can demonstrate that there is money in that account and once we can demonstrate the numbers, it will strengthen our case and have the effect of pushing forward the rate of approval for new schools. That is one of the reasons we support it.

Mr Morin-Strom: I think, though, what is going to happen in the next three years may be very different from what is going to happen in the five or 10 years beyond that.

Mr Bennett: Yes.

Mr Morin-Strom: You are getting approvals in advance now when you do not have the lot levies in the bank. You do not have the money in the bank. The ministry at this point is willing to give you the approvals in advance.

Are you concerned that in the future, five or 10 years from now, given the growth you are having in your area, if you can collect lot levies of \$5,000 or \$7,000 or \$8,000 or whatever per home, you may build up a considerable fund there and have the funds to be able to build schools and it will be the ministry that will be the restricting factor because the law does not allow you to proceed and spend those funds until it approves a school construction?

Mr Crothers: There is likely to be a far more reasonable scenario, and I actually had discussions on this particular point over the weekend with Ministry of Education officials. I was raising it from the perspective of what I saw was deficient in the legislation in that it spoke primarily in the municipal aspect. It makes reference to interest charges in relationship to planning and making some decisions as the cost, the interest charges of doing some of these things, is able to be taken out of the lot levy fund. In the case of the school board, part III, there is no reference whatsoever to interest.

My approach was: What happens in a situation, a scenario like you have outlined but taken one step further, which I think is more likely, that there is tremendous pressure on the government to approve a new school but it does not have the money in the current budget to do so? I said: "What happens when we have the money in the development fund to do it and you people approve the thing?

Mr Morin-Strom: That is what I was getting at. That is right.

Mr Crothers: "We can fund it ourselves or through bridge financing, but will the interest charges that we bear because we are bridge financing your commitment to us down the road—I would think that should be appropriately coming out of the fund."

The officials that I have spoken to acknowledge that yes, that was a consideration. The answer they gave me was sufficient to satisfy myself that it would not be a problem and that somehow some method would be found to overcome that particular thing.

Mr Jackson: I told you that was what was going to happen.

Mr Morin-Strom: In other words, they have told you that you will be able to proceed with the school on your own initiative, even though they do not have the funds to flow to you.

Mr Crothers: No, what I advanced to them, because they do not have the dollars was, "What happens if you end up with the same kind of preapproval process?" Right now, they are into a process of preapproving these schools so that if we choose to build them sooner and we choose to pay the bridge-financing costs until the ministry flows the dollars—my request was if the ministry continued that preapproval process. It was on the basis that they could not forward their portion. In our case, the grant may drop from 35 per cent down to maybe 25 per cent because of the change in the grant structure of 75 per cent to 60 per cent.

If the province of Ontario could not advance the funds fast enough and we chose to proceed with the school as it was needed, they still would have to approve it. But if we chose to do it and we funded the provincial government's share, we think that at least the interest charges relating to that should be eligible to come out of the fund.

I could suggest to you that we think that should be an amendment to the legislation. I do not think it is necessary because we tend to deal with the Ministry of Education on a good-faith basis and we believe that some method will be found to overcome that, should that situation arise. I do not want anybody to suggest that any of the officials of the Ministry of Education have suggested to us that they will continue to preapprove. My approach was on the basis of, "If that were to continue the way it is right now." That is what we saw as a deficiency in the legislation.

Mr Ferraro: Thank you and your delegation for a very candid and thoughtful presentation. I will not patronize you in a self-serving way, suffice it to say that prior to your presentation and that of the Peel board, I could not wait for the weekend to come and I am not so sure I want it to come now.

In light of the tremendous growth that is being experienced in York region, the sister region of Peel and so forth, what is the position of your board vis-à-vis the discussions pertaining to leasebacks? I am mindful of the fact that you have not seen the fine print—basically, in principle, I guess I am talking about.

 $\underline{\text{Mr Bennett}}\colon I$ think I should respond to that because I have been part of the discussions that have been ongoing with the Toronto Home Builders' Association.

I believe Mrs Parrish referred to some initiatives that have stemmed from the green paper. When the green paper came out, the Urban Development Institute and a number of others advocated, as you know, a leaseback scheme. At the initiative of the Toronto Home Builders' Association, we have been attending meetings of the association to discuss possibilities for a leaseback scheme. Some of us came to it with a degree of scepticism because what you see are people from the home building industry saying they can build schools more cheaply than our professionals. What we have been participating in for over, I guess, three or four months now have been these ongoing discussions about whether in fact this is a feasible alternative.

We have done a couple of computer runs and there has been some discussion about what the advantages would be and what some of the disadvantages would be. I have to say that I think the Toronto Home Builders' Association had a very woolly proposal to begin with. There was nothing; it was just a shell of an idea. We helped them by giving them the kinds of data they needed and we have been working through their proposals.

The big stumbling block in all of this is land appreciation which, in fact, we see as the number one obstacle to this. We have been countering their proposals for a leaseback without any right to purchase, with a right to purchase at the end of that or a lease-to-purchase agreement.

The other thing that has become obvious is that they now believe they cannot build schools as cheaply as they first forecast because they now have access to all the requirements that are laid down by the Ministry of Education and the A—grade construction specifications that are in place for school construction.

They also did not recognize the cost of land in their initial calculations. Site acquisitions were not factored in. When we presented the association with the actual costs of school construction—elementary schools at around \$6 million and secondary schools at around \$20 million—they went

away and they have not come back to us for a couple of months now, because they are quickly realizing that it is not a feasible and easy solution. In fact, the last meeting broke up with the statement, "I'm sorry I ever got into this," from the chairman of the meeting, from the Toronto Home Builders' Association.

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I think what has happened is that the green paper precipitated a very positive and constructive meeting of the minds, but it also made them more conscious of how complicated it is to build schools and how many regulations we operate under. It also made us a little more careful about what their real motives were; for example, their return on capital, which they were estimating far below what we thought it would be, and the rates of return to them we thought were just totally erroneous.

In fact, there is a lot of sharing of information going on. I think what will happen is there may indeed be joint projects, but I doubt whether they will take the form of a leaseback arrangement.

The Chairman: You have been extremely helpful indeed, and we appreciate your taking the time and energy in bringing together a good brief.

The submission that follows may or may not be of a similar ilk. It is the Durham separate school board. You may want to hear their version of the bill. From the Durham separate school board we have Catharine Tunney, the chairman, and Grant Andrews, associate director in charge of business affairs. Brief 45 is in front of members of the committee. Perhaps you could lead us through that and entertain some questions.

DURHAM REGION ROMAN CATHOLIC SEPARATE SCHOOL BOARD

Mrs Tunney: I would like to introduce on my left Grant Andrews, who is the associate director in charge of business affairs for the Durham Region Roman Catholic Separate School Board. My name is Catharine Tunney, and I am chairman of the Durham separate board.

It is not our intention to deal with the specifics on a clause—by—clause basis. Instead, we would like to deal with the general concept and some of the major principles involved in the draft legislation. We welcome this opportunity, and I would like to say at this time how pleased our board has been with the government's actions in assisting the board to provide much—needed elementary and secondary school facilities. We are pleased that the government has announced its intentions to take steps to improve equity among school boards with respect to access to financial resources.

Let me begin our brief by saying that the Durham Region Roman Catholic Separate School Board supports the government's proposal to provide the payment of development charges.

The Durham separate school board is one of the fastest-growing school boards in Ontario. During the 1980s, its annual rate of growth has been in excess of 10 per cent, and as a result this board has been faced with immense pressure to provide new schools and an escalating debt load.

In September 1989, the board will own and operate 34 elementary and secondary school buildings. Only 23 of these were operating in 1980. The board has received Ministry of Education allocation for an additional 12 schools,

and these are presently either under construction or in the planning stages. Of the 23 schools that were built prior to 1989, eight will have received major additions between 1985 and 1990. As well, 36 relocatable classroom units have been added to six of our newer schools.

The need for an additional 46 relocatable modules was outlined in the board's 1989 capital expenditure forecast. During this past month alone, 24 new portables were placed in our school sites and another 15 portables were relocated among schools in our jurisdiction. In September, we are anticipating the need for even more portables.

All in all, this growth means debt, debt and more debt for the ratepayers of a small board with a very limited assessment base. This board is faced not only with a local share of approved costs for site purchases and construction, but also a substantial sum of unapproved costs.

With respect to site purchases, the ministry recognizes only 75 per cent of appraised value of approved cost. The balance must come from local funds. Within three years, the price of land in Durham region has tripled. Construction costs, too, are escalating. This proportion is even lower for school additions. Thus, in recent years the board has been debenturing more for its unapproved costs than for its share of approved costs.

This year, the Ministry of Education has announced its intention to lower its average rate of support for the provision of new pupil places from 75 per cent to 60 per cent. This will result in a further burden on the local ratepayer, at least 20 per cent for our board's share of approved local costs. This measure was discussed in the green paper. We feel that boards who opposed the green paper were primarily objecting to the lowering of grant support. Nongrowth boards saw a potential loss of funding with benefits only to growth boards. Enrolment growth boards could possibly gain allocations for a larger number of school projects, while at the same time receiving relief from further heavy increases in debt load.

The lower rate of grant support for construction of new pupil places is in place. Tax relief is not. Bill 20 will allow for this tax relief.

On 24 February 1989, the Durham board submitted a letter to the interministerial committee on financing growth-related capital needs. I have attached a copy of this as an appendix. At that time, we expressed our support for the concept and we also provided a number of comments. The passage of Bill 20 will meet most of the concerns we expressed in our letter. We would, however, like to re-emphasize the importance of the capital grant plan in relationship to the implementation of Bill 20 and its accompanying regulations. I would really like to emphasize that point.

<u>Mr Andrews</u>: In the proposed regulations, approved costs, that is, costs eligible for both grant and development charges calculation, are determined under the limitations expressed in the capital grant plan. Revisions are required to the capital grant plan to ensure that:

The approved cost of construction reflects actual costs in providing reasonable facilities; the current ministry target is 90 per cent for new schools;

Pupil loading requirements approach expectations of trustees, parents and teachers and reflect the impact of government initiatives;

The approved cost for sites is the lower of the board's purchase price or current market value.

As noted earlier, school boards are forced to debenture for large amounts of unapproved costs related to construction. Construction costs escalate continually. The formulas within the capital grant plan should reflect current costs in total. Low assessment wealth boards are particularly penalized by nonrecognized costs.

Our school board has had some success in purchasing sites below market value. In recent years, this has become increasingly difficult as developers resent the loss of potential profit as well as the lower purchase price paid for a school site. As a result of government initiatives with respect to child care centres and lower class sizes, school sites must be larger in size. The introduction of development charges for education will be more palatable if developers feel that market value will be paid for school sites. Low assessment wealth boards would be in a better position to do this if full market value were used in determining the approved cost for site purchase.

Finally, with respect to the capital grant plan limitations on approved costs, it is essential that pupil loadings be set at a more realistic level. The current capital grant plan describes a pupil loading of 35. The government initiative with respect to grade 1 and grade 2 class sizes has created the expectation of not only 20 pupils in those grades but also a further lowering of class sizes in other grades. School boards need assistance in providing accommodation, not only for rapid increases in enrolment but also for smaller class sizes.

The Durham Region Roman Catholic Separate School Board believes that the lower provincial rate of support will allow the government to provide assistance for more capital projects: new schools, additions, alterations and renovations. Our board believes that the passage of Bill 20, along with amendments to the capital grant plan, will allow school boards to better provide adequate accommodation for their pupils with the support of their ratepayers, including parents and nonparents. Ratepayers will appreciate improved accommodation without being faced with even further dramatic increases in taxes and/or substantial costs in school programs.

The Chairman: Does anyone have any questions?

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Mr Ferraro: I apologize if you alluded to it and I missed it: Did you indicate or can you indicate what percentage of your present budget is debenture, if any?

Mrs Tunney: It is 9.3 per cent. We anticipate that if lot levies do not come in by 1992, our annual carrying costs will be \$5 million on our debentures. Currently they are \$1.4 million, and we have an operating budget of \$110 million.

Mr Ferraro: By way of a general question, if I may, Durham region, the growth patterns—with the exception of the very high growth areas, where it looks like the moon is the limit, does your board have a projection vis-à-vis five, 10 or 20 years? How do you see it for your region?

Mrs Tunney: We are doing our five-year capital expansion forecast; therefore we do anticipate and are knowledgeable as to what our growth is. We see the pattern continuing and the growth continuing.

Mr Ferraro: For five years.

Mrs Tunney: At least five years.

Mr Ferraro: Do you do a longer projection, or is it feasible?

Mrs Tunney: Mr Andrews, perhaps you can address that question.

Mr Andrews: We do growth projections for our capital expansion forecast for five years. Beyond that it is very difficult. We are subject to many outside influences, including actions or nonactions by the provincial government. For example, we have a very large potential development in Durham, region identified as Seaton community; we expect, once the government proceeds with action on that, that it is going to escalate our rate of growth even further than at present. At any rate, even without Seaton we would see about a 10 per cent growth rate carrying on for a considerable number of years.

Mr Haggerty: I just want to direct one question to the panel. Your opening statement says: "The Durham Region Roman Catholic Separate School Board supports the government proposal to provide for the payment of development charges. We are joined in this support by the other seven school boards in the greater Toronto area surrounding Metro." I interpret this that you are speaking on behalf of the other school boards in this area in support of this bill.

Mrs Tunney: Yes. We are one of the boards that has formed the growth board coalition, and Mrs Parrish spoke to that earlier.

Mr Reycraft: I wanted to ask about the acquisition of sites. You mention on page 3 in your brief that it has become increasingly difficult for you to buy sites below market value. I do not think there was any explanation of that, although I am still going through your brief, and I apologize for being out for part of it. Do you have any explanation as to why that is the case?

 $\underline{\mathsf{Mrs}\ \mathsf{Tunney}}\colon \mathsf{Perhaps}\ \mathsf{Mr}\ \mathsf{Andrews}\ \mathsf{can}\ \mathsf{address}\ \mathsf{that}.\ \mathsf{He}\ \mathsf{is}\ \mathsf{the}\ \mathsf{one}\ \mathsf{who}\ \mathsf{purchases}\ \mathsf{our}\ \mathsf{sites}.$

 $\underline{\text{Mr Andrews}}\colon$ I see one of the developers with whom we just recently negotiated a site purchase behind me.

Mr Reycraft: Be careful, now. He will get the last word.

<u>Mr Andrews</u>: Ours is a low assessment board, and we are very conscious of nonapproved costs, because nonapproved costs are 100 per cent the responsibility of our ratepayers and we pay a very heavy penalty in those particular areas. Our practice has been to negotiate the purchase of site at 75 per cent of market value, which coincides with the approved cost.

The developers have resisted this to some extent because, first, they lose potential profit for houses they would have put on that land; second, they are not getting what they view the land is worth; third, they say, "Why me, developer in section A, and not developers in sections B, C and D?" I think there is some legitimacy to some of their complaints. That is why we respectfully suggest that we recognize, for grant calculation purposes, full market value, so that the developers, in a sense, are treated equitably, and it also will make our job of acquiring sites that much easier.

Mr Reycraft: Is the fact that the approved cost of the site is 75 per cent of the market value coincidence? Perhaps I am asking the wrong person the question.

Mr Andrews: The 75 per cent approved costs pre-existed our purchases. There have been times, perhaps, in the history of our board where we have paid market value, and in the history of many other boards where they have paid market value.

The developers have been in the position, because of the escalating demand for new homes, where they are most anxious to proceed with their subdivisions, and it has made it a little bit easier to acquire the land at 75 per cent. The target of 75 per cent has been specifically because that is the maximum amount for recognition for grant purposes.

Mr Morin-Strom: I would like to ask about concerns about affordable housing and whether you have any position with regard to how affordable housing can be generated in your region, given the kind of lot levies, both municipal and education, that are going to be imposed on a fairly uniform basis on all development in your region. Do you have a position on the need for affordable housing and how on earth this bill does anything towards achieving it?

Mrs Tunney: I feel it is a little bit out of the mandate of the reason we are here, but certainly I am prepared to address that. I feel very strongly that the price of housing will not be based on this levy. It will be based on the need. I know for a fact that there are developers in Durham region whose house prices right now are pegged to the price they were being offered for last December. Certainly, market is going to set the price of that home.

The number thrown around that I heard of in Durham region was that any home around the \$153,000 mark was going to be considered affordable housing. I do not think the introduction of an education levy is going to in way determine whether affordable housing is going to come in to Durham region. I do not think it is going to affect the price.

Mr Morin-Strom: Do you think there will be the development of affordable housing in Durham region? Can you foresee 25 per cent of the housing built in Durham region costing less than that figure, \$153,000, in the foreseeable future?

<u>Mrs Tunney</u>: It is a little out of my jurisdiction. I think who is going to make the determinations and how easily it is going to happen is going to depend on the municipal councils, not on the school boards. We have publicly come out very much in favour of affordable housing.

Mr Morin-Strom: Would you support 25 per cent of housing units being exempted from having to pay any type of lot levy, in order to ensure that everything possible is done to keep the price down for at least some segment of the new housing coming on in your region, even at the expense of putting that extra cost on the other houses?

 $\underline{\mathsf{Mrs}\ \mathsf{Tunney}}\colon \mathsf{I}\ \mathsf{do}\ \mathsf{not}\ \mathsf{know}\ \mathsf{that}\ \mathsf{I}\ \mathsf{would}\ \mathsf{be}\ \mathsf{prepared},\ \mathsf{because}\ \mathsf{I}\ \mathsf{have}$ not been convinced that affordable housing will be inhibited by a levy.

Mr Jackson: It will not be inhibited; it will just be \$7,000 more expensive.

Mr Morin-Strom: When you have a fee like this, which is a uniform fee across the board on all housing, where is there any incentive for a developer to come in with low-cost housing when he knows he has to pay this fee on all housing? The more expensive the housing unit he puts in, the better chance he has of that being easily absorbed. But when you have a low-cost housing unit, which is presumably much closer to his costs, his margins are going to be much tighter.

Mrs Tunney: His market conditions and restrictions put on by the municipality are going to determine the type of housing. Certainly our board is very much in favour of development going on in areas such as Seaton and various other areas. I do not feel it is the education levy that is going to be the stumbling block on affordable housing. I think what has to happen is that you have to convince some municipalities and some councils out there that it works, and you have to get rid of the mentality that is very evident, especially in a municipality like Whitby where I reside: not in my backyard. That is going to make the difference.

Mr Jackson: But that could be a problem. Government is going to be imposing a 25 per cent mix. What we are trying to get across is that every effort is extended to keep that price down to its most affordable rate. The builder's profit margin is under regulation, the developer's profit margin is under regulation. We are talking about building senior citizens' residences. I myself have appealed to municipalities to reduce lot levies, because with senior citizens it was affordability. We are not talking about "affordable" being something that John Q. Public goes in and buys because it is cheap. We are talking about subsidized, those kinds of forms of housing. It is all regulated with subsidy.

The point Mr Morin-Strom is making and I was going to make as well was that when you take a \$7,000 or \$8,000 charge—or have you even given consideration to what your charge might be?—and you add that on top, then that has to go on the mortgage these people are dealing with. Subsidized houses are not a market-driven item. If you know anything about housing, you will know they are not.

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The Chairman: Mr Jackson, she has answered Mr Morin-Strom's question.

Mr Jackson: No, I clarified it and will ask her to respond. I think she was under the illusion that affordable housing meant any housing that was cheap. I am talking about regulated housing, government—subsidized housing, which is a growing part of the marketplace.

The Chairman: Perhaps you would care to ask her whether or not the board would be prepared to pass a bylaw that exempted affordable housing.

<u>Mr Jackson</u>: That is what I was getting to, because that is the question I have asked the Catholic trustees' association. I was interrupted by an expert from Guelph.

Mr Ferraro: That's right.

Mr Mackenzie: Self-styled.

Mrs Tunney: I can certainly take that under consideration.

The Chairman: All right. Thank you very much and thank you for your presentation. It has been very helpful to us. We appreciate it.

ARVIDA DEVELOPMENT CORP

Mr Davies: My name is Jeff Davies. I was here before. I am a lawyer for Arvida, and unfortunately Mr Carbone could not appear today. He passes on his regrets to the committee. Laurie Gordon, who is a senior officer of the company, is here to make the presentation and I am here to be of assistance to her if that is possible.

 $\underline{\text{Ms Gordon}}\colon \text{As Jeff has indicated, my name is Laurie Gordon. I am development manager for Arvida.}$

If the committee is not familiar with Arvida, it is a land development company, a partnership-of four home-building firms that have been in the housing industry for a number of years. This year alone we have built over 1,300 serviced lots, and the home builders themselves build an average of more than 1,000 lots a year. Based on that, we are here in front of the committee today because we feel we have some experience to comment on Bill 20.

I had prepared a brief. Unfortunately, you did not have it ahead of time. I apologize for that. I will present my brief and, if there are any questions, perhaps we can refer to the text of it.

We recognize that Bill 20 has a twofold focus, the first being municipal lot levies and front—end financing and the second being education levies. Primarily, we are interested in talking about the education levies today. It is not our objective to deal with the mechanics of Bill 20, but rather to put forward the following constructive criticisms and reasonable alternatives to the education component of Bill 20.

I would like to commence by stating that we strongly believe in education as a necessity and there is no question that it should be funded intelligently, given that is the key to the success of this country. Hence, we are not here to rant and rave about taxing the builder-developer; it is not our intention even to mention that.

However, we feel there are some adjustments required in the area of implementation, the fairness and the collection of this tax. It is a sad reality, but like any other costs, education levies will be passed on to the consumer, as much as the market can absorb them.

There are three points I would like to cover today. They are the inclusion of a grandfather clause into Bill 20, the price to be paid for school lands by school boards and the use of the land transfer tax as a possible method of collection of the education levy. Let us just state, before I deal with these issues, that we acknowledge the positive aspects embodied in Bill 20: accountability, structure and consistency in the imposition of the levies regularizing municipal activity in our industry that has been irregular for years.

Bill 20 provides for a system that makes the calculation and collection of lot levies more certain, thereby avoiding future endless disputes on leviable versus unleviable items, such as your hard services versus your soft services. It clearly spells out what is leviable.

We feel that now there is some kind of basis for collecting levies, that

you are going to avoid endless lineups at the Ontario Municipal Board; that is a positive aspect. We also feel that the new legislation will and should avoid these OMB decisions, thereby reducing the cost of housing and the delivery of that housing because the time element has been reduced. In this spirit of fairness, we address the concerns of the education component of Bill 20.

On the issue of implementation, in order to allow the community to understand these problems, it is important that you realize that in many instances the developer sells lots to builders sometimes up to two years in advance. In most instances, the developer will protect himself by stating that the builder will cover the cost of impost increases or levy increases. We do that by making the offers conditional on registration, for example. However, selling serviced lots prior to registration allows a developer to finance the project and usually allows the builder to purchase lots at prices that are a lot less than the land is going to being worth when it is registered and serviced.

It is conceivable and realistic to tell the committee that many developers have sold lots prior to Bill 20's introduction. It is also conceivable that these developers have not built into the contract the cost of the education levy which, from my information, as we have been told, could be in excess of \$5,000.

Assuming that Bill 20 is implemented some time during the fall session of the House, the question is, who pays for this levy? If the developer has to absorb a levy, he may look for a way out of the contract with the builder because that cost has not been built into the cost of delivering those lots. On the other hand, if the developer can pass it on to the builder, one has to hope that the builder has not presold those homes to the public and incorporated that \$5,000 into his cost. Should that not be the case, the builder is not going to be able to absorb the levy, and he may look for a way out of the contract. That is going to affect the purchaser.

This scenario is not based on negative thinking; it is based on a scenario, for example, such as the one Arvida is facing in Whitby. My colleague Mr Andrews, who gave the former presentation, is quite familiar with this. Arvida, for example, has presold 674 lots and we did that in April 1988, eight months before Treasurer Nixon introduced Bill 20. Arvida's contract with the builders in this instance has passed that on. However, the builders have gone to the market and, without taking into consideration this levy, they stand to pay the levy when it comes into play. This is why we are asking for a grandfather clause.

I can provide the committee with some numbers: \$5,000 times 674 lots amounts to over \$3 million—\$3.37 million to be exact. In total probability, in Durham alone, I think there are about 3,000 units—looking at this transition period—and \$5,000—plus that has not been built into the cost of any of those lots when they come on stream. I do not know who is going to pay for it, and I hope the purchaser does not suffer for it.

To continue, Bill 20 does not make provision for a transition period, and that is what we are asking for. If such a scenario ends up being tied up in the courts, the reality is that no one wins. The apparent unfairness is not in the law in itself but how it is implemented and the timing of its implementation. To avoid this retroactive and punitive feature, the committee seriously should consider a grandfather clause, a transition period in which education levies are not applicable to subdivisions that have received draft—plan approval prior to December 1988, that being the date Mr Nixon introduced the bill.

The reason we are centralizing it on that date is that most developers and builders do not presell lots until they are almost draft-plan-approved; nine out of 10 wait until draft-plan approval because then they are sure of what they have to take to the market. Also, a bank will not finance a developer or a builder unless 50 per cent of those lots are sold, whether they are sold to a builder or, in the next step, to a purchaser. Banks will fund us at that point in time, so it makes sense that we go to the market then. That is why there is this big hole.

The next issue we want to address is the price being paid by school boards. As you may or may not be aware, in many instances the municipality makes the selling of land to a school board part of the conditions of receiving draft—plan approval and final registration of a subdivision. In other words, unless the developer sells the designated lands to the school board, he is not going to receive registration and he will not be in a position to develop his lands. It is as simple as that.

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This is further aggravated by the fact that many school boards will option your lands at a future date at a price that is less than market value. In Durham region, market value for the school boards is considered to be 75 per cent of market value at the time of exercising the option, which I must admit is much more favourable than in the York region school board. Market value to them is \$75,000 an acre. In Woodbridge alone, market value now is \$450,000 an acre. That is in today's dollars. There is quite a difference.

The problem is also confounded by the fact that an education levy will now be in place. If I can draw on my subdivision in Whitby, for example, six acres were optioned to the school board at 75 per cent of market value. That land is \$400,000 an acre; 75 per cent is \$300,000 an acre. Arvida lost \$600,000 an acre. It is a lot of money to lose in one day's worth of business.

Mr Haggerty: That is fully serviced at \$400,000.

Ms Gordon: That is serviced. The land is serviced.

Mr Haggerty: It would be, at \$400,000.

Ms Gordon: That is right; that is serviced land.

Mr Haggerty: Five lots in an acre?

Ms Gordon: Probably about 4.5 lots. The market value of that is single-family residential, like the rest of the subdivision. That is what it is considered.

Mr Haggerty: So it is not raw land.

Ms Gordon: It is not raw land, no.

This is what some people in the industry have been calling double taxation. Some have called it bad legislation. We just think it is an oversight. However, note that the issue of market value for school lands has been challenged in the courts. Mr Davies has been involved in this.

We are aware of a number of cases. The most famous and most recent case is the Peel Board of Education versus Erin Mills Development Corp, where

Justice Cartwright was speaking for the Supreme Court of Canada. I quoted his words from this case, that the Planning Act did not confer the jurisdiction to make the applicant land owner agree to sell to school boards at less than the market or arbitrated values. The Highbury case takes the principle one step further. It said that the broad principle of law that no part of a person's land, including a would—be subdivider's land, or of the value thereof, would be subject to confiscation as a condition precedent for seeking an approval.

Not to resolve this problem of not paying market value in the process of the bill's coming into place, I think, is folly. The purpose of Bill 20 is to make the application and collection of lot levies fair and equitable. As you, the legislators, now have an opportunity to do that, legislate that school boards pay market value and avoid what will definitely be a lineup at the board. If Bill 20 is going to be consistent, then you have no choice but to make sure that all the problems of unfair tax collection are dealt with before it is too late.

The last point I would like to deal with is the issue of collecting education levies and applying this fairness application one step further. We have maintained all along that education funding is a must. If it needs to be funded and the existing structure cannot accommodate that funding, Arvida has no problem with paying its fair share. We have said that all along. We have also maintained that it should not be purely the responsibility of the new home owner. It should be dealt with equitably. Therefore, we are suggesting the land transfer tax might be the solution.

A land transfer tax applies to the transaction of new homes and to resale housing. We think it is a simpler method and we also think it is a more equitable method of collection. It also avoids the reality that resale values will simply climb as the value of a new home is burdened with higher levies. The education levy, as it is applied to new housing, is discriminatory; it is also inflationary. It will make the cost of housing more unaffordable as the burden of the levy is taxed on one sector of housing, and the resale values just climb to take advantage of the tax on new housing.

Let me take this one step further. If we use the figure of \$5,000, a new home will increase by \$5,000. That means that the resale vendor has just had a windfall of \$5,000. Resale will always match or follow the new house. It is inflationary. Purchasers today are very well informed and they understand the economics of the housing market. If a new house goes up, a resale house of the same quality will also go up. They have just made themselves a heck of a lot of money, which is fine, but it is also going to make resale housing that much more inaccessible.

That pretty well concludes our brief. We do not profess to have all the answers. We are not economists and we are not lawyers. We simply think that any new law should be fair and simple where possible. That is why, if I can just summarize, we would like to stress the importance of inclusion of a grandfather clause legislating school boards to pay market value and applying land transfer tax as a way to collect this levy.

The Chairman: With respect to your last point regarding land transfer tax, I suppose you would suggest it could apply to renovations on older schools too; you could put the tax on in that area, as well, I suppose.

 $\underline{\text{Ms Gordon}}\colon I$ had not thought of that question, but I do not see why not.

The Chairman: Interesting idea.

Ms Gordon: Land transfer tax applies to all real estate transactions. People are paying, what is it now, 1.5 per cent? Why not make it whatever amount of money is necessary. Then everybody can bear the burden of education equally. You know what the cost is going to be. It also allows new home buyers to get into the market. If an affordable house in Durham, for example, is \$157,000, you can bet it is going to be \$163,000 now. That \$5,000 could have meant the difference between someone getting into the housing market and someone not.

Mr Morin-Strom: We seem to be getting a few submissions having to do with the cost of buying the land for school boards. When you are talking about \$450,000 an acre, obviously that is a very big cost in some areas of the province and quite a bit different from what it would be in other areas of the province. Does it make a big difference whether that land somehow has to come from the developers for free to a school board, compared to a system where we would collect levies to pay full market value?

I assume what should happen in this system is that even if the land were bought at market value, the cost of that land, in some sense one could argue, would be a part of the cost of improving the land of the whole development, the same as putting the sewers and the roads in. The full cost of the land, then, should be part of the government's assessment, in that case, in terms of a levy to be spread equally among all the people who are going to be in that area.

Ms Gordon: If I can just try to understand your question, are you saying that the cost of the school land should not be absorbed by the rest of the cost of the subdivision?

Mr Morin-Strom: I am saying it should. I think there is some fairness in terms of paying market value, but if you do that, what I think should happen is it should be paid not by the taxpayers across the province in terms of an area which has very high value land, but should be paid for by those people who are developing that area or are buying the lots in that area. It becomes a way of sharing the providing of that land between all the developments in that area. In other words, it becomes a part of the full levy for that area. Does that seem like a logical way of approaching it?

Ms Gordon: I think I understand where you are coming from. If land transfer tax is—pull a number out of the air—five per cent on top of every transaction, that transaction in Durham alone, for example, is where your growth area is; that is where all your growth—related capital expenses are, including education. With the amount of housing starts that happen in that area, that area is being compensated accordingly. If you have 3,000 new units, then you have 3,000 new units with five per cent on top of that to fund that area.

Mr Jackson: There is no question you would make more money under the land transfer tax than you would under this. There is no question in the world about that.

Mr Polsinelli: Why not both?

 $\underline{\text{Mr Jackson}}\colon You$ are already doing that. You have increased it twice in the last four years, you bugger.

Mr Morin-Strom: My only concern is with the full purchase price you are going to be paid for the land. I have some concerns about us as general taxpayers around the province having to pay that price on land which is absolutely essential to the development of that whole area of a community. I think that, quite legitimately, that should be shared as part of the levy.

Mr Davies: Bill 20 addresses that. It is implicit in Bill 20 that the cost of the school will be spread across that particular area, and there would not be cross-subsidization from a different area. The point of this submission is that it would be better, even more equitable, to do that through the land transfer tax, because then you do not just tax the new, you tax all sales.

Mr Jackson: I have an original question, but I just want to follow on Karl's question, that is, that there is a problem inherent in the potential loss to a developer by selling his property at a discount and that affects the developer who has the misfortune of having the school site pegged by the city planners as being located in his immediate area, as opposed to the developers who will benefit from the building of that school. Of course, these concentric rings go even further when you deal with Catholic schools, because they are even further apart.

Perhaps we should be looking at some method by which all developers pay hard costs and transfer those for school site acquisition and separate that from school building, so that if land is escalating at three times the rate of construction costs, then we should be out there trying to tie down a pile of land real quick. Anyway, that is where I would react to Mr Morin-Strom's argument, and I think there might be some sensitivity in the development industry with that.

I have sat for years on committees deciding which schools we felt were necessary and I knew at the time that we were making a quarter million, half a million dollar potential losses for developers when we said, "No, we will waive a school in that subdivision and we want one in that subdivision." Those are very powerful decisions to be made.

I want to work on a presumption, and what I liked in this brief was the request for the grandfathering. You make cogent arguments with specific cases of schools boards that have been before us asking us to make this legislation retroactive. Obviously, in political terms, you are asking us to give some time to all those people who have lots ready but who have not been given the charge but could potentially be given the charge, be grandfathered within the very areas that you are citing in your brief. We have had those school boards before us say, "Go back and grab lots from a few years ago."

That will not be resolved by this committee. This committee is going to go with a straight-up approach because of the political fallout. But I am interested when you quote these kinds of numbers. There is going to be some interesting fallout when builders now start getting their contracts and the lawyers essentially notify the purchaser, "That house you bought a year ago is going to go up another \$8,000."

That leads to my question, Mr Chairman: Is it possible for this committee to inquire from the Ministry of Consumer and Commercial Relations about standard clauses in regard to property transactions? The ministry does examine standard clauses in contracts, and I would like to know the position

of the ministry with respect to that issue. You have existing contracts that say all these costs will be passed on to the consumer. There are thousands of people across this province and there are going to be a lot of angry people saying this is bad legislation because they were not protected. But we as a committee can be insisting that certain clauses be put in all subsequent contracts.

I do not wish to open up a can of worms with that. It is clear it is going to be passed on to the purchaser, but perhaps we should be looking at its impact in terms of contract law when there is this gap because if we do not do as the deputants have suggested we do, there are going to be people caught in the gap. That will be hammered out between lawyers and people, and it may be the decision between whether or not they buy the home.

I think we should be doing some inquiries to the Ministry of Consumer and Commercial Relations which deals in this area.

The Chairman: You want an inquiry to the ministry as to whether it has considered?

Mr Jackson: For one thing, the minister would have an opinion as to whether this bill should be grandfathered or whether it should be allowed to go in its present form. It may be a political decision for the government of the day to say, "Do we wish to protect 2,000 or 3,000 home buyers out there who may have a development charge passed on to them?" or it may be a political decision for this government, for the consumer minister to advise this government whether these charges should be passed on. That is all I am asking.

If the deputant's point is valid, and I believe it is, then people are going to be coming to us as politicians, saying, "How come I've got this additional charge? My house is going up by \$8,000 and I bought it a year ago," because there is a clause in a contract.

I would like to know the attitude of the Minister of Consumer and Commercial Relations of this province on that point, now that we know it is a potential problem. It is germane to whether we grandfather or not. I have stated the purpose of why I would like the information. Who is going to get stuck with the bill?

Mr Polsinelli: There is nothing wrong with getting the opinion from the ministry, but my experience has been that these types of charges that are passed on prior to the building permit stage or at the building permit stage are not passed on to the ultimate purchaser in a direct fashion. If they are passed on, they are passed on in the form of an increased price in the property.

Mr Haggerty: The builder might be just building on speculation of a sale.

Mr Polsinelli: The types of charges that I have seen passed on-

Mr Jackson: Read the brief. I have stated my territory here. The brief talks about presales where there may be debt to the builders.

<u>Mr Polsinelli</u>: I have no problem with your requesting that opinion of the minister. I am just saying that I have never seen in a real estate contract these types of charges passed on to the ultimate consumer in a direct fashion.

Mr Jackson: I have sold property in my day in real estate that was not approved with a building permit and I put all the clauses in.

The Chairman: Perhaps we can seek some information from the ministry as to whether it has any concerns in this area, and if so, what they are.

Mr Jackson: That is all I ask.

 $\underline{\text{Mr Davies}}\colon I$ think that they should have some concerns, because there is the possibility that thousands of contracts all across the province could be frustrated by this legislation.

The Chairman: Possibly.

Mr Davies: Quite possibly. The potential for litigation and for chaos resulting from that is guite enormous.

 $\underline{\text{The Chairman}}$: We will seek from that ministry whether there are concerns of this nature and what they may be.

Ms Gordon: I might point out to the committee that we have concisely stated this possibility because reality will lend itself to that situation. It is a matter of economics. It is also a matter of the purchaser suffering. Being a developer in this instance, we sell to builders. Many of those contracts are conditional on registration. The builder cannot build a lot unless it is registered.

Mr Haggerty: In whose name?

Ms Gordon: It is registered in Arvida's name and then it is transferred over to—

Mr Haggerty: Then you are the owner.

Ms Gordon: We are the owner until-

Mr Haggerty: You are not the buyer.

Ms Gordon: No, but that is-

Mr Haggerty: So it is on speculation?

Ms Gordon: It is not on speculation.

Mr Haggerty: Sure it is.

Ms Gordon: No, it is not. Arvida, for example, and all developers-

 $\underline{\mathsf{Mr}}$ Haggerty: You are the developer and then you turn around and buy it back.

The Chairman: Mr Haggerty, let Ms Gordon finish her statement.

Ms Gordon: The development industry services residential lots in this instance, usually with agreements to purchase and sale with builders. Speculation is not the same as when you are talking about house buying. Those lots will be sold. Whether they are sold today or next month, they will be sold because, as we all know, land is the shortage in this market.

Builders sell to purchasers conditional upon registration. If a builder, for example, has not built \$5,000, \$6,000, \$7,000, \$8,000 into his agreement of purchase and sale—and there are clauses in there that pass on reasonable things to the purchaser—unless that builder can absorb it, one possibility is that the builder will delay closing because he does not have the money to pay.

What happens is the builder will return the purchaser's deposit and the purchaser has lost the increase in value of that house in the marketplace from the time he purchased it up until the time it actually will be built and could be resold. That, ladies and gentlemen, is what might very well happen, because there are a lot of small builders in this industry who cannot absorb the kind of money we are talking about.

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The Chairman: All right. We will give that ministry a copy of this hearing and we will ask the ministry to comment on it. Mr Haggerty, now you have a question.

Mr Haggerty: No. That was one I was going to make reference to, that in the selling, you are the developer. You turn around and you contract the job out to a builder to build it. Does he buy the lot?

Ms Gordon: He buys the lot.

Mr Haggerty: He buys the lot and then you turn around and you buy it back from him.

Ms Gordon: No.

Mr Haggerty: I thought that is what you said.

Ms Gordon: No:

Mr Jackson: You were interrupting her.

 $\underline{\text{Mr Haggerty}}\colon \text{How did you get back in the second round of this then?}$ That is what you said before.

Ms Gordon: I do not believe that is what I said.

Mr Haggerty: We will have to take a look at it.

Ms Gordon: If I alluded to that, a developer sells to a builder, the lot is his or hers and he or she sells it to a purchaser.

Mr Haggerty: I thought you said that you turned around and got it back.

Mr Davies: No.

Mr Haggerty: In other words, the building permit is issued to who then?

Ms Gordon: The builder.

Mr Haggerty: To the builder and then he sells it to the other-

Mr Jackson: He may have presold it already. That is the point.

 $\underline{\text{Mr Haggerty}}$: Yes, that is right. Well, it will be interesting to see what Hansard says on that.

Mr Davies: The point is that in many cases the builder has an opportunity to get out of his sale with the consumer and one of the fears is that the builder will use this legislation to say that his contract with the consumer has been frustrated, because out of the blue, this legislation has imposed those additional charges and the builder would argue in law that he is not required to suffer that loss as a result.

Mr Polsinelli: I think you are stretching it a little bit.

Mr Davies: I do not-

Mr Haggerty: I suggest too that you should get some comments from HUDAC on the transfer of property in that area.

The other question I want to go back to, you talked about the matter of \$400,000 for an acre lot and there would be four and a half homes constructed on that. You said that the cost to the school board would be what? You are talking about 75 per cent. You want full market value. Under the Planning Act you have five per cent designated for park purposes. What value does the developer put on that? The same price he would for the schools?

Ms Gordon: Yes.

Mr Haggerty: In other words, the municipality would get what? Would it get 75 per cent of the market value of an acre of serviced land or raw land?

Ms Gordon: No. They confiscate, for lack of a better word. Park land is given. The serviced \$400,000-an-acre land in Durham is given to the municipality under the Planning Act.

 $\underline{\text{Mr Haggerty}}\colon \text{But that is not serviced}.$ That is raw land that they give.

 $\underline{\mathsf{Ms}\ \mathsf{Gordon}}\colon \mathsf{That}\ \mathsf{is}\ \mathsf{serviced}\ \mathsf{land}$. It is serviced to the property line.

Mr Haggerty: It is, eh?

 $\underline{\text{Ms Gordon}}\colon$ It is a matter of block internal servicing. All the land we are talking about is serviced.

Mr Haggerty: The municipality gets all of that at that price then?

Ms Gordon: That is right.

Mr Haggerty: You are saying the value is \$400,000?

 $\underline{\mathsf{Ms}\ \mathsf{Gordon}}\colon \mathsf{In}\ \mathsf{Whitby}\ \mathsf{it}\ \mathsf{is}\ \mathsf{zero}.\ \mathsf{Park}\ \mathsf{land}\ \mathsf{is}\ \mathsf{zero}\ \mathsf{to}\ \mathsf{the}\ \mathsf{private}$ sector.

The Chairman: She is saying that they give it to-

Mr Jackson: Forced expropriation. No compensation.

Mr Haggerty: Yes, I understand that. That is another area of taxation though, is it not? That is the point I am coming to.

Mr Davies: No.

Mr Haggerty: Sure it is.

The Chairman: It is taxing the developer.

Mr Haggerty: It is taxing the developer. So again that is passed on to the purchaser of the lot.

The Chairman: Maybe.

Mr Davies: But all developers are taxed equally on park land.

Ms Gordon: All subdivisions must give park land.

Mr Jackson: Or cash in lieu.

Ms Gordon: Or cash in lieu.

 $\underline{\text{Mr Haggerty}}$: Do they get the full value of that? You are talking about the—

Ms Gordon: It is at cost.

Mr Haggerty: At what cost? Are we looking at 75 per cent of the value as schools or what?

Ms Gordon: No, it is at full cost.

Mr Haggerty: Full cost, 100 per cent. The municipalities then get this also on top of that. That is something that has not been mentioned in here, the additional revenue that they do obtain if they take it in cash.

Ms Gordon: That is right.

Mr Reycraft: I want to make sure that I understand the situation with these 674 lots. Did I understand you to suggest that builders purchase those lots from Arvida up to two years ahead of actually getting the building permit?

Ms Gordon: In the case of Arvida's Whitby projects, yes. Those lots were sold to the purchaser in April 1988. Building permits are available next month. We are servicing the site right now. They are available next month. They can go and pick them up and start building houses.

Mr Reycraft: Builders may have presold to home buyers up to two years ahead of getting the permit and actually constructing a house?

Ms Gordon: No, not usually two years. Builders have been working on the sales of those houses for several months now. On other subdivisions, builders will sell as soon as they purchase the lots from the developer. It is up to the builder when he wants to sell depending on how the market is in terms of whether they can absorb additional houses in that area, spring marketing versus fall marketing and what not.

 $\underline{\text{Mr Jackson}}\colon$ It is called spec sales. There is no law against it in this province.

Mr Reycraft: No, I was not suggesting that there was, Mr Jackson, and thank you for your help. I just want to understand the situation. How common is it then for builders to presell a year ahead of actually getting the building permit?

Ms Gordon: It is very common. All builders do it.

Mr Reycraft: More than a year in advance of getting the building permit?

 $\underline{\text{Ms Gordon}}$: In some instances, yes. They have extending periods in that it is conditional for six months and then under the HUDAC warranty program, there is a 90-day, 60-day extension. So yes, they could be sold up to a year before delivering.

Mr Reycraft: With respect to your suggestion about grandfathering then, the people who need to be protected are the builders who have presold. Is that correct?

Ms Gordon: The builders and the purchasers.

Mr Reycraft: Right. Unless there is some kind of clause in the agreement, the responsibility is going to be the builders'.

 $\underline{\text{Ms Gordon}}$: That is right, but there are those clauses in the agreement.

Mr Reycraft: All right. That is another question.

Mr Davies: But the builder could argue that the contract has been frustrated. I know one member of the committee does not agree with that, but I am not so comfortable with his scepticism.

Mr Mackenzie: The purchaser says, "I have waited a year and look what I have lost."

Mr Reycraft: Your suggestion was we should grandfather any land that had received draft plan approval prior to December 1988.

Ms Gordon: That is correct.

Mr Reycraft: Would it not cover the situation if you protected builders who had agreed to contracts with home buyers for whatever period of time? Why would you address the draft plan approval level?

Ms Gordon: With all due respect, I think we are talking about the same idea in that the builders would be protected and, therefore, the consumer is protected.

Mr Reycraft: Okay.

Mr Jackson: This way the consumer is not protected.

Mr Reycraft: Under your suggestion, we would protect a lot of builders who did not require protection. We would protect the builders who had

purchased lots on which they had not presold, if we grandfathered everything that had draft plan approval prior to that date. Is that not correct?

Mr Davies: The different is—there are two ways of looking at it. One is to look at the impact on the consumer, the purchaser of the house from the builder, and we have been talking about that. From your point of view you could say, "Let's just protect the builders who have sold to end—use consumers."

You can take it reasonably further than that because in many cases builders have brought from developers based on a known set of costs. It is the same proposition in that what is now being imposed by the legislation on those builders is an additional set of costs, namely, the school levies. In some markets there simply may not be the room for the builder to accommodate that cost without incurring some kind of financial problem.

What we are getting at is the principle of retroactivity. Given the nature of the industry, the builder has an expectation that he is buying on a retail basis lots where he can simply go in and apply for a building permit and pay the building permit fees under the Building Code Act. What is being rained down upon him is an extra set of costs. That may either hurt the builder if the builder has not sold or it may flow back to the consumer if the builder has sold. That is what we are getting at.

<u>Mr Reycraft</u>: My other question was the matter that Mr Jackson was pursuing. How common are clauses where home buyers agree to accept responsibility for things like lot levies and other charges?

Ms Gordon: Extremely common.

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Mr Jackson: In a 40-clause contract, it might represent 13 or 14 clauses. I just signed one. I went over it, all four pages of it.

Ms Gordon: There is allusion to that in a number of the clauses. I do not have an agreement of purchase and sale in front of me, but usually unexpecteds are covered.

Mr Reycraft: That is the question I wanted to ask the Urban Development Institute this morning before our authoritative, dictatorial chairman cut me off.

The Chairman: I try not to be dictatorial. Mr Polsinelli has a question and Mr Jackson has a supplementary.

Mr Polsinelli: It is more in the nature of a statement, but I would appreciate a comment after it. It seems to me that this whole thing about retroactivity may not really be worth the discussion we are having. If we are talking about exempting plans of subdivision to receive draft plan approval as of December 1988, my understanding is that draft plan approval is valid for one year. Is it longer than one year? It is a one-year period. Within one year you have to have final approval or apply for an extension.

Mr Davies: No.

Ms Gordon: No. With all due respect, perhaps I could correct you.

Mr Polsinelli: Please.

Ms Gordon: And Mr Davies is here. With the new revisions to upgrade the Planning Act, anything that was draft plan approved from 1988 on is applicable and does not elapse.

Mr Polsinelli: Draft plan approval does not lapse any longer?

Ms Gordon: No.

 $\underline{\text{Mr Davies}}\colon I$ did not come equipped to answer that question, but draft plan approval, as far as I know, does not lapse after one year. I think it used to lapse after four years.

Mr Polsinelli: That is kind of interesting because I remember in the papers just a couple of months ago the town of Richmond Hill refusing to extend a plan of subdivision.

Mr Davies: Yes. What happens is that the initial period, I believe, is four years, after which it is necessary to get an extension and extensions are typically given on a one-year basis.

Mr Polsinelli: Okay.

The Chairman: Mr Tassonyi has a point on this point.

Mr Tassonyi: On that specific point, as I understand it and I am not an expert on draft plan approval, in many cases the council will put in the agreement a deadline date by which time period certain things must happen with respect to a particular subdivision because of the very fact that the draft plan of subdivision is taking up quota in the lineup for using up infrastructure space. If nothing is moving on that subdivision, then that plan approval may lapse and that quota will go to somebody else in the lineup.

Mr Jackson: Ms Gordon, is not one of your concerns with pegging your grandfather clause to an approval for the development versus contracts that you would set in motion the very thing you raised earlier, and that is that the person who bought a house from the builder well in advance was paying one price and the person who was buying after that point in time would pay—they may be houses right next door to each other; one would pay the levy and the other one would not.

Ms Gordon: It is possible.

 $\underline{\text{Mr Jackson}}$: That is what I thought. I do not believe that tying it to the contract is the solution. I think it is more tying it to when the subdivision is approved, which is what you are suggesting.

Ms Gordon: We are suggesting that only because the development industry now knows that whether the education levy comes through an education levy as proposed under the existing bill or whether it comes through land transfer tax as an alternative, there will be funding of education. Hopefully, now we will start budgeting for such an expenditure, as when we budget for sewers. But the point is there will a number, thousands of lots that have not budgeted for that.

Mr Reycraft: Very quickly, I intended to ask this question earlier. You mentioned that your 674 lots had been sold to seven builders. Were any of those firms part of the Arvida partnership?

Ms Gordon: One was. One builder is a partner in Arvida.

Mr Reycraft: And the other six builders were totally unrelated?

Ms Gordon: They are totally separate.

Mr Reycraft: Thank you.

Mr Davies: Just one closing comment: If you look at the suggestion Arvida has made regarding land transfer tax, the administration of that system is implicitly funded by the people who buy and sell real estate, whereas the new bill involves putting into place a whole new administrative regime that will in turn bear another cost, so there is some considerable advantage to taking seriously the submission made by Arvida regarding land transfer tax.

The Chairman: Interesting idea. Mr Jackson does not like it, though.

Mr Davies: Pardon me?

The Chairman: Do not listen to me. Thank you very much. You have given us some interesting ideas. You have given us a different perspective, frankly, from a lot of the other developers and we appreciate it very much.

Ms Gordon: Thank you very much.

ORGANIZATION

The Chairman: The members of the committee have in front of them a report from the subcommittee meeting that occurred this morning. Mr McCague has already given us a signed approval.

Mr Jackson: I have read it and I concur as well.

<u>The Chairman</u>: We need a motion to adopt the report and that will essentially permit us to ask for some sitting time in the first week of October to deal with some of the issues we have been tousling with, particularly with ministry officials.

Mr Polsinelli: Is this the last week of public hearings?

The Chairman: This is our last week that we have been assigned.

Mr Haggerty: We can handle it tomorrow.

The Chairman: We would like the motion now.

Mr Polsinelli: The next few days would be for clause-by-clause?

The Chairman: Pardon?

Mr Polsinelli: The additional sitting time would be for clause-by-clause?

The Chairman: The additional sitting time would be to review some of the concerns we have. For instance, we have put the Ministry of Health on notice with regard to hospitals, etc. If we move through that very quickly, I do not see any reason why we could not move on to clause-by-clause.

<u>Mr Morin-Strom</u>: The point would be to get out of the way some discussions on issues, and particularly consultations with ministry officials, from all three, and get that out of the way. If we do not get some of that done and we only have one meeting per week, this could easily go into December.

If we get that out of the way and be sure we are ready to go directly into clause—by—clause at least by the end of those three days and have the substantive discussions of hospitalization and some of the language questions that have been raised—we should get ministry viewpoints definitively on them on both the Ministry of Education and Ministry of Municipal Affairs side—then we would be prepared to start directly on clause—by—clause the first day we come back in October.

Mr Polsinelli: Yes, that is a good idea.

 $\underline{\text{Mr Morin-Strom}}\colon \text{Otherwise, we are going to be bogged down for a while.}$

The Chairman: There is also an understanding, I believe, by all three parties that we would at least start the procedure in camera.

Mr Morin-Strom: We have offered that. If the ministry people feel uncomfortable in having definitive amendments in place at that time and knowing specifically what you want to do, if you feel you can have a more open discussion without lobbyists here—Mr McCague offered it originally—we are willing to go in camera. We would have staff people from the parties, though.

Mr Polsinelli: I do not think it makes any difference. Whatever the committee decides to do, I think the ministry people will be available to do it. The end of September is perhaps a reasonable time limit in terms of getting our amendments in.

Mr Reycraft: I have a question about point 7. With respect to past experience, do you get a lot of requests for oral submissions to the committee?

The Chairman: Prebudget?

Mr Reycraft: Yes.

The Chairman: We had 60 to 70 last year.

Mr Reycraft: Do you look at all of those and decide which ones you are going to allow to appear or do you hear them all?

The Chairman: We try to hear them all. As a matter of principle, we try to accommodate any taxpayer who wants to get some input into the budget.

<u>Mr Reycraft</u>: I noted an advertisement recently from the federal finance committee, Mr Blenkarn's committee. What they were doing was inviting written submissions and requests for oral submissions, indicating that they would make a selection from that list based on the written submissions.

The Chairman: We have done that in the past in other circumstances. As I say, I would hope we could in principle accommodate anybody who wants to make a submission without having to do that. It can be done that way, though, if the committee wants. If we find time constraints make it necessary, the subcommittee could then choose who we want to actually hear from on the basis of the written submissions.

1650

Mr Morin-Strom: I think that in the past we have had the reverse problem. We have not only accepted everyone who has asked for an oral submission, but in order to get more balanced representation, we have gone and approached groups to try to reflect certain industries or areas of the economy that were not represented to us. We have gone out and actually tried to get more submissions.

Mr Mackenzie: I would hate to restrict it at this stage.

Mr Morin-Strom: We have not faced that problem.

The Chairman: The problem we do face, Mr Reycraft, is that the professional lobbyists are always here, most of them with bells on. They are very thorough and they come at us from different angles. What we are trying to do is to reach out to the less organized taxpayers, so we hate to do anything that would impede them.

Mr Morin-Strom: I think we have an overwhelming request and very limited time that is given to us to update that at that point.

Mr Reycraft: A further question on point 8 in the report: We will have two and a half months for committee hearings between Christmas and the reopening of the Legislature in March. Could we not meet in January?

The Chairman: That was a request by Mr McCague, that we get our choices in quickly. I think we are going to be meeting a lot of time during that period. We are saying at this period that we want to have a gap, I suppose for personal planning, and then we would be available for committee meetings during February and March. I think that is based in part on the fact that we were assigned August time and not September time.

Mr Morin-Strom: The point is that if we are the last one to get our order in, we will get the least desirable time, as we did this time, but if we make our request first as to which period during the second break we want, we have a chance.

The Chairman: Maybe you know better how these things work.

Mr Reycraft: It is those rascals who do the scheduling.

<u>The Chairman</u>: Is there a better way to do that? That is the purpose of that. He is just suggesting we set out holiday time now and then members of the committee would know, of course, and could do some planning.

Mr Morin-Strom: Maybe we should put it from the positive standpoint, "We request meeting time in February and early March," rather than, "We do not want a meeting."

Mr Reycraft: I think that might be appropriate.

The Chairman: Do you want to amend that? This would be an amendment to the report to the effect that the committee should meet from 1 February on to the opening of the House.

Clerk of the Committee: Could we get that in a motion?

The Chairman: Mr Reycraft moves that the times we seek-

Mr Haggerty: I think we are going to have to consult with the whips on this. The House leaders may have some different ideas. This thing jumps up and down like a yo-yo.

The Chairman: When do we return? In mid-March? The third or fourth

Mr Reycraft: The motion should be that we request permission from the whips and House leaders to meet in February and then the first week in March.

The Chairman: We would have four weeks clear and we could still start meeting on Monday 29 January, so we would seek to meet for all the period of time from 29 January through to whenever the House starts to sit again. What is that? The third week of March?

Mr Reycraft: Next year, I think it is.

The Chairman: That would be 19 March.

Do you have that? Okay, that is the motion.

Motion agreed to.

The Chairman: Mr Haggerty moves that the standing committee on finance and economic affairs adopt the report of the subcommittee dated 30 August 1989.

Motion agreed to.

 $\underline{\text{The Chairman}}\colon \mathsf{Take}$ your things with you, please. Tomorrow we are in room 151. Get your pancake makeup on.

The committee adjourned at 1655.

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Covernment Publication

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS
DEVELOPMENT CHARGES ACT, 1989
THURSDAY 31 AUGUST 1989
Morning Sitting



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CHAIRMAN: Cooke, David R. (Kitchener L)

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McCaque, George R. (Simcoe West PC)

Morin-Strom, Karl E. (Sault Ste. Marie NDP)

Pope, Alan W. (Cochrane South PC)

Substitutions:

Cousens, W. Donald (Markham PC) for Mr McCague Jackson, Cameron (Burlington South PC) for Mr Pope Polsinelli, Claudio (Yorkview L) for Mr Kozyra Reycraft, Douglas R. (Middlesex L) for Ms Hart

Also taking part:

Marland, Margaret (Mississauga South PC)

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Municipal Affairs:

Tassonyi, Almos, Senior Economist, Taxation Policy, Municipal Finance Branch

From the Ministry of Education:

Dalzell, Elizabeth, Policy/Legislation Analyst, School Business and Finance Branch

From the Canadian Institute of Public Real Estate Companies:

King, Donald, President; President and Chief Executive Officer, Marathon Realty Co Ltd

Cullingworth, L. Ross, President and Chief Executive Officer, Coscan
Development Corp

Daniel, Ronald A., Executive Director

Smith, Hon David P., Partner, Lyons, Goodman, Iacono, Smith and Berkow

· From Metrus Management:

Nelson, Fraser

Ryan, Julia, Legal Counsel; with Goodman and Goodman

From the City of Etobicoke:

Ketcheson, Bruce C., Legal Counsel; with Reble, Ritchie, Laurent, Wright and Ketcheson

From the Town of Markham:

Landon, Gordon, Regional Councillor

Swayze, Robert J., Town Solicitor

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 31 August 1989

The committee met at 1000 in room 151.

DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

The Chairman: I recognize a quorum. I would like to welcome those people who are watching on television to a meeting of the standing committee on finance and economic affairs of the Ontario Legislature. At the moment, this committee is looking at a bill that is called Bill 20, An Act to provide for the Payment of Development Charges, which was passed in the Legislature for first and second reading in June and July of this year, and then was referred to our committee to look at and to hear public submissions.

The bill was presented by the previous Minister of Municipal Affairs, with some interest by the Minister of Education, and it is presented by the government. The purported purpose of the bill is "to permit both municipalities and school boards to impose development charges on all types of development that will increase the need for municipal services or school facilities."

It "also provides authority for agreements between owners and municipalities to allow owners under certain conditions to develop their land earlier than the servicing plans of the municipalities would otherwise permit. Municipalities would then reimburse those owners for their additional costs from development charges subsequently received from other owners of land benefiting from those services."

It acknowledges that lot levies have in fact existed and continue to exist through the permission granted in the Planning Act, but purports to provide more structure.

Over the course of the last two weeks, we have been listening to submissions from various groups and individuals who were concerned about the bill. This is our last day of these submissions. After this, we will be looking at suggestions for possible amendments to the bill before sending it back to the Legislature.

Today, we are going to hear from the Canadian Institute of Public Real Estate Companies, the law firm of Goodman and Goodman, the city of Etobicoke, the town of Markham, the law firm of Macaulay, Chusid, Lipson and Friedman, the York Region Separate School Board, the Halton public and separate school boards, the Durham Board of Education and the Toronto Board of Education.

Our first witnesses are from the Canadian Institute of Public Real Estate Companies. I would ask the representatives of that group to take their places and lead us through their submission, which is in front of committee members. We have with us today Don King, the president of CIPREC; Ross

Cullingworth; the Honourable David Smith; and Ronald Daniel, executive director.

CANADIAN INSTITUTE OF PUBLIC REAL ESTATE COMPANIES

 $\underline{\text{Mr King:}}$ By way of introduction, my name is Don King. I am president of CIPREC. CIPREC is an organization that represents most of the major real estate development companies that have a national presence. Obviously, that includes the Ontario region as well.

I have with me Ross Cullingworth, who is a director of that organization. In addition to being a director of CIPREC, Ross is president of Coscan Development, which is a company in development activity that is substantially but not exclusively in residential home building, particularly here in Ontario.

Also here is Ron Daniel, who is a full-time member of CIPREC and the executive director; and an adviser to CIPREC, David Smith. Just for the record, David Smith assures me he is not a partner in Goodman and Goodman but in fact is a partner in, let me get it right, Lyons, Goodman, Iacono, Smith and Berkow. I guess there were too many Goodmans.

We would like to thank you for this opportunity of giving the views of our members to your group. I think we submitted our brief to your committee earlier. I do not know whether you have had an opportunity to read it. My intent is just to hit on a couple of the high points. I will ask Ross Cullingworth to deal specifically with housing issues and one of the major concerns that we have with, not the spirit or the philosophy of the bill as much as the implementation of the bill. Then for the remainder of the available time, we will be happy to respond to questions from your committee.

The main thrust of our position as CIPREC is that we welcome one of the objectives of Bill 20, which is to get some structure, some accountability into the lot levy issue. As your opening comments said, lot levies are not new. To some degree, there has been some ad hocism as to their implementation.

Having said that, we do have a number of concerns with Bill 20. The first is a philosophical concern with the drive of this. In the nature of what Bill 20 is trying to accomplish, it is an equity issue, a form of double taxation, in our view. It is the new home buyer who, given the marketplace, will ultimately bear the cost of the lot levy in the price. He will bear it at that level and will in fact, through municipal taxes on an ongoing basis, also bear part of the infrastructure cost at that level.

To that degree, focusing on the new home purchaser gives us some problems. I might add, and Ross can add a few comments additional to that, that as part of the thrust of government policy in social housing, with what this proposed legislation would allow for municipalities in the area of funding for new infrastructure and who should bear that, the new home purchaser could, to maybe an even greater degree, bear that element as it relates to the social housing component. Ross will deal a little more with that in a moment.

As to the practical and implementation problems, particularly in this region, we have a problem of affordability. Affordability is to a very large extent a function of the number of lots available, and supply. Unfortunately, we see that the process or the technique through which Bill 20 will be implemented will inevitably cause a serious distortion, a serious delay at the

front end. That in itself will very much impact on the supply and therefore on the cost and affordability.

I am going to give Ross two or three minutes to speak to the specifics of it as it relates to housing. As our brief indicates, we believe that on the question of cost and forcing up lot costs, this could impact somewhere between \$10,000 and \$15,000 a lot.

Ross, I will hand it over to you and you can amplify a little more of the general principles we have talked about.

1010

Mr. Cullingworth: There are the two underlying issues we wish to concentrate on, because we think there are arguments about equity and the cost that the new home owner is going to have to bear going forward, which will effectively subsidize the existing home owner, and that hits directly into the affordability issue.

We are very concerned. There is going to be a significant increase in the cost of housing that can be indirectly related to this piece of legislation, and we already have a major problem in Toronto in particular. It does not apply to the same extent at all in other areas in Ontario, but in Toronto it is a very serious problem.

We believe also that there has not been a mechanism organized to implement this piece of legislation. If anyone has dealt directly with municipalities, he knows that the municipality is going to stop the process. We have already experienced it with some plans that we are moving through the process. According to normal process, we would have expected to have a subdivision agreement in place within the next two to three months. The municipalities and the school boards are stopping the process. They are waiting for this piece of legislation. They are going to say, "We don't know what we should be charging for levies now."

If you look at the mechanism that is in here to determine what that levy should be, we are talking about a municipal process that is bound to take a minimum of a year, but it is not only the municipality that has to process; it is the local municipality. The regional municipality will have to wait for some fee input from the local municipality, so it will be behind the local municipality and its process.

The school boards have to wait to find out what population growths are anticipated in plans before they can decide how they can deal with their plan, to put it in place. All of these plans have to go through and be approved and put in place before they know they can charge the levy. They are not going to approve a plan today. In fact, we have had school boards specifically say: "We can't process this. We can't deal with a subdivision agreement because we do not know what levy to charge you."

The implications of that in the short term in a marketplace like Toronto, which already has serious problems of supply, is very difficult for any of us to measure, but it will be serious. It will mean a significant restriction to supply in the short term and another cost-push element. It will hit directly—or in this case it will be a demand-pull probably—affecting the affordability of housing. I think that is a very serious matter for us all to be concerned about.

Mr King: David, you have been assisting us. Do you have any comments that you wish to make in the policy area of this legislation?

Hon Mr Smith: An angle that I might come from is that obviously there are real costs that somebody has to pay for, and I suppose what has sort of triggered this off is that the government has decided to reduce its level of contribution to capital funding for schools. When they did that they had to put a system in place, and I think they thought: "Well, putting a system in place gives us an opportunity to give some structure to the whole levy issue anyway."

I think putting some structure to the levy issue is desirable, but I think that if you look at what are the real issues in terms of housing in Ontario at the moment, the two biggest problems are supply and affordability. I think this can only have an adverse effect on both of those problems. It is going to make it more difficult for people to be able to afford to buy houses if you are adding to the cost of them.

In a sense it is double taxation, because what happens is you have a young family struggling to come up with a down payment and meet the payments. They are perhaps those in society with the least ability to pay these extra costs, but you can hit them. They are not even voters in the municipality yet where it is implemented, because they have not bought until the whole thing has been approved. What happens is that the levy is passed on to them, so they have to pay the levy to put in these services, but then when they are there they have to pay their general taxes too. They are paying taxes at the same mill rate as everybody else in any particular municipality, plus on top of that they have the levy.

I saw Mr Sweeney on television a few weeks ago, shortly after he was appointed, and I have a very high regard for him. I thought he spoke eloquently and passionately about how difficult it was becoming for average families to be able to afford housing in this province. I think what happens is that different levels of government from time to time, to achieve a particular objective, do something that may be well intended, but the cumulative impact of all of these things is that it just keeps driving the prices up. Ottawa is doing the same thing now with this goods and sales tax. It is just getting beyond the reach of average people.

I think you have a very fundamental legal question here about double taxation, that you are saying to those in society who want to buy a house, usually young families: "You are going to have to pay twice. You are going to pay the levy and your regular taxes."

 $\underline{\text{Mr King}}$: $\underline{\text{Mr Chairman}}$, it is 10:15. We are going to halt and be happy to respond to any questions that your members may have.

Mr Ferraro: Gentlemen, thank you for your presentation. I would like to ask a question of Mr Smith, because he struck a nerve. When you talk about reduced level, obviously you are referring to the level of grants reduced from 75 per cent to 60 per cent. Obviously, from a partisan standpoint, I look at it as a necessary evil and I am mindful of the fact that we have increased the capital allocations from 1984-85, which was \$72 million, to \$300 million for the last year. I guess the point I am trying to make is that your interpretation of reduced level is correct from the standpoint of transfer, but it is different from the standpoint of aggregate amount.

However, after having made that editorial comment, I have a question in regard to your concern about double taxation and whether there is a legal challenge that can and would be applied. Is it morally fair and just? Mr Smith, I am cognizant of that fact and I think every taxpayer in Ontario, in fact in Canada, is cognizant of the fact that double and triple taxation exist just about at all levels. From this standpoint, what is the difference between my having to pay personal income tax or sales tax? It all goes into the same pot. I am being taxed twice, just to use that analogy, so that the federal government will have funds to provide the need. In this particular case, the need is obvious, as I am sure you all realize. I wonder if you could comment on that.

<u>Hon Mr Smith</u>: On your first point on reducing it from 75 per cent to 60 per cent, I do not think the Canadian Institute of Public Real Estate Companies is second—guessing the wisdom of that. I do not think they are saying the aggregate amounts are reduced. I think what they are saying is that if you have to come up with that money somehow, do it in a way that does not have an adverse impact on the affordability of housing and the supply of housing.

Mr Ferraro: I understand that.

What gave me a twinge, I guess—I should not be so sensitive on a Friday, quite frankly—is that you said we are reducing our level of support, and in aggregate terms that is not correct.

Hon Mr Smith: I am not challenging that.

Mr Jackson: You should.

 $\underline{\mathsf{Mr}}$ Ferraro: What about the double taxation, sir? I wonder if you could comment on that.

Hon Mr Smith: I think we are dealing not so much with this from a point of law, on whether there may be court challenges. There may be. I suppose anybody has the right, down the road, if this becomes law, to challenge it. We are not suggesting that. It is the policy issue and whether it is fair and whether it is wise.

These gentlemen who are in this industry, and I work very closely with this industry, have a lot of experience. You sit around the table when decisions are made on whether you proceed with a project. If you keep pushing up the costs of them and you know the prospect of a reasonable profit margin diminishes, you just do not proceed with some projects and that hurts the supply and erodes it.

Yes, we all know that government has to raise money to achieve objectives that are worthy and nobody doubts it. I think the challenge is to raise that money in a fair and equitable way that does not have an adverse impact on an area of activity in this province, namely, housing, that is already a real problem.

The Chairman: We have six questioners and 11 or 12 minutes.

Mr Jackson: My questions are in two areas. The first has to deal with the notion you raised that in fact this bill will offend affordability,

that the cost will be passed on ultimately to the home purchaser and will form the final costs associated with acquiring the lot, building on it and then give that as a final price to a purchaser.

1020

The provincial government has indicated that is not the case and the Liberals on this committee have indicated that is not the case. That is the position they have taken. Yet the Treasurer (Mr R. F. Nixon), on the other hand, suggests that the new tax federally will be borne by the consumer. Do you think there is a bit of a paradox there or even a bit of hypocrisy? Would you like to comment on that?

Mr King: I think the word "hypocrisy" might have been used in this committee earlier on, but putting aside words like that, I would ask Ross. It is a cost to the developer, someone pays and the final consumer ultimately will pay in one form or another. Ross has much more experience as to the quantity of paying. Ross, why do you not respond to that?

Mr Cullingworth: We will be going from a system in which a fair part of the infrastructure was supported and paid for over time, whether it was through a bonding system and supported by the mill rate or the normal tax, to a system where the new home owners are going to pay 100 per cent for all the infrastructure. Presumably the infrastructure will be put in place and they will be paying that through a levy or a fixed front—end cost system. There is no question that is going to significantly—there will be a number that is much higher today in terms of levies that will have to be applied to produce the pool of funds they require to put this infrastructure in place.

That is just a straight cost and our system works on cost push. It will be passed through to the new buyer, to the home owner. In one manner of speaking, it becomes a gift to all the existing home owners, because that will be a cost push that gets put on and the existing home owners' house prices will escalate to relate to new house prices.

Mr Jackson: So in that sense, it does drive inflation for the balance of the market.

Mr Cullingworth: Yes.

Mr Jackson: My second question has to deal with-

The Chairman: I think we are going to have to have just one question per questioner.

<u>Mr Jackson</u>: Perhaps, Mr Chairman, if there is equity among the three parties represented today, you will respect the fact that I will take less time than Mr Ferraro and I will get my second question across, with your permission.

The Chairman: If you are going to talk about three parties, we will not get to Mrs Marland then, but all right, go ahead.

Mr Jackson: Very quickly, I am concerned about your suggestion that there may be delays being experienced currently in some municipalities and boards. Can you give us some more concrete information? Some of those may be coming before us and it would afford the committee an opportunity to ask them the mindset which is delaying bringing, in some instances, affordable housing

units on to the market as they await our decisions with respect to this legislation.

 $\underline{\text{Mr King}}\colon I$ think delay will come because of the need to process plans in the longer term by all players in the new process.

 $\underline{\mathsf{Mr}\ \mathsf{Jackson}}$: So you were not talking about specific cases per se as much as that it does escalate the process.

Mr King: Ross can respond to specific cases, but there were already positions being taken by school boards versus municipalities in general that their particular demands and needs have a much higher priority. In the process of things, that is going to take dialogue and discussion, and as you go from one layer to the next layer, that inevitably is going to mean delay.

Mr Jackson: I understand that better.

Mr Morin-Strom: Thank you for your presentation.

I would like to ask briefly about the situation in a development where one side of the street has been sold and built just prior to this legislation coming into force and then the other side of the street being sold just after the legislation comes into force. As you have indicated, the additional cost of the newer house—it may be only a few months newer—which is going to have this development charge may be \$10,000 to \$15,000 higher in order to absorb that tax which the government is proposing to put on. On the other side of the street, if a house there comes for sale in the resale market, is it not the case that that house is going to go up by that price as well, even though no tax has ever been paid on that one?

You have a situation where there are two comparable houses: one pays a tremendous tax, one pays no tax. But will the marketplace, in effect, not put the price of both those houses up so that buyers will have to pay the full cost, whether they are buying the new house with the tax or the old house?

Mr King: We believe there will be a rippling effect into the housing stock units that are already built and occupied, yes. I would take issue with your analogy of "across the street." The levy system does not work in that way. If it is a new subdivision that may be adjacent and it does not yet have the approvals in place, then with respect to the spirit of your argument, the answer would be yes.

Mr Morin-Strom: So we are talking neighbouring subdivisions. In the neighbouring subdivision that had been built just prior to the legislation, those owners, in effect, are going to get a windfall gain from the adjustment of the marketplace, with no taxation to the government at all.

Mr Cullingworth: As effectively all home owners will. That does not just move necessarily in the adjacent developments; it moves through the system and the whole market will adjust to a cost push. In any growing market, the cost push is what is going to motivate the market.

Mr Haggerty: My question is directed to Mr Smith. He talks about the double taxation for this upfront funding, I guess it would be, for putting in the hard-core services. Do you think it would be fair to say that there should not be any cost to the new subdivision that is being developed and it should be put on the older property owners within the city who went through a similar

event maybe 10 or 15 years ago? Are you suggesting there should be a shift and that they should be picking up the cost? What other alternatives are there?

Hon Mr Smith: I think it is fairer to just spread the load because it has less impact. For people who built years ago, the costs were less, but they did not have this new levy.

Mr Haggerty: Wages were less too.

Hon Mr Smith: That is true; there is no doubt about that.

Mr Haggerty: And the homes were less in cost.

<u>Hon Mr Smith</u>: All these things are true, but the end result is that it is an inflationary factor. I just do not think it is going to have a good impact on affordability of housing. It cannot help but drive it up. I am not saying it is a bad scheme. I think it is probably a well-intentioned one, but I think the reality of the implementation of it will be an inflationary impact that will hurt affordability and hurt supply.

Mr Haggerty: I imagine other taxpayers in the community would not buy that, though. Is there any other alternative then to the present method where the municipalities now enter into an agreement with developers to finance the upfront funding?

Mr King: The lot levy system has been around for a while and to that extent, the element of double taxation has been around for a while. Therefore, this will extend that concept and will formalize that concept. I guess if there is an ongoing concern, it is not the fact that the levy is there, hopefully in a controlled and containable amount; it is that we do not know what the level of the future lot levies will be. That will be dictated to a significant degree by needs as perceived by municipalities and to a lesser extent by school boards for the new citizens.

I think it was the minister who last week spoke to this issue in a speech, saying that the priority is to get people in homes and affordability, and maybe we have too many ice rinks and too many of the other frills. The priorities are wrong and the lot levy mechanism allows that to happen without the representation of the people who are going to be paying for it. I think that was the philosophical concern we had and what Mr Smith was speaking to.

1030

Mr Reycraft: I have a question first for Mr King. You mentioned earlier in your presentation that you estimated the impact of lot levies for educational purposes to be between \$10,000 and \$15,000 a lot. We heard yesterday from a number of school boards that indicated their preliminary figures suggested the levy would be somewhere between \$4,800 and, I think, \$6,000. Can you tell me where you got the \$10,000 to \$15,000? Can you support the figures?

Mr King: I do not believe that we estimated the levy as just relating to school boards. We believe the total cost of the levy will be somewhere in that range. Quite frankly, it is very difficult to get any true economic measure of this. I do not take issue—we have no knowledge, Ron, I think, as to whether the \$4,800 is an appropriate element relating to education.

<u>Mr Cullingworth</u>: It would be a different number for different municipalities, for many reasons, because some municipalities already put a lot of their infrastructure into a lot levy and others put very little in. Now we are organizing them so they effectively are being told to make sure they put it in. Therefore, the process will follow that they will calculate all the other costs of infrastructure.

You are only relating to schools; we were not only relating to schools. We are saying that this legislation will force municipalities to pass on the full cost of all those new facilities, whereas under the existing system a good part of them have been supported by the underlying mill rate and municipal taxes.

<u>Mr Reycraft</u>: Lot levies in the province now range from zero to above \$14,000 per lot. The reason some municipalities charge nothing for lot levies for cost-related charges is because they know that if they did, there would not be any housing developed in their area. Is it not likely that this wide range is going to continue and that some municipalities will not go to a lot levy at all because of its impact on housing in that area?

Mr Cullingworth: I do not think there is a question that this would happen, because a municipality that is not growing is not going to bother to put a lot levy in place.

Mr Mackenzie: You say in your recommendations on your executive summary sheet, "CIPREC recommends that since Ontario municipalities have the capacity to finance growth—related capital needs that Bill 20 be withdrawn."

Regardless of the merits of Bill 20, I am just wondering how you come up with that flat, hard statement, because it sure does not jibe with what the municipalities or boards are saying or what my aldermen are telling me in my city when it comes to property taxes and their ability to sustain the kind of capital growth that is needed, particularly the shortcoming in schools where you have literally hundreds and hundreds of portables in some municipalities. It seems to me it is a pretty bald statement that probably would not be supported by most municipalities in Ontario.

Mr King: I think if you would turn to page 3 of our submission, we give some more flesh to that specific recommendation. In fact, with regard to debt of municipalities in general, if we accept budget paper E of the recent budget papers by the Ontario government, I think it gives some numbers as to the total debt outstanding the municipalities over the years. It is in fact decreasing, and the conclusion that paper draws—we have not added to that—is that there is extra capacity at the municipal level.

Mr Mackenzie: So what you are arguing is for the municipalities to undertake more debt to achieve this?

 $\underline{\text{Mr King}}$: To spread that debt and, more important, to service that debt over the general taxpayer group as a whole in that particular municipality.

Mr Mackenzie: Most of the business community I have talked to seem to be constantly harping on the problems we have with the increasing debt and the fact that we should be reducing debt and not adding to the debt load. This just seems a little bit at odds with the general position we get from that community.

Mr Cullingworth: This would be a debt for infrastructure, though, and not a debt for a deficit.

<u>Mr Mackenzie</u>: To a taxpayer in my community and most others, there is a pretty loud squawk every time there is an increase in the mill rate, I can tell you.

Hon Mr Smith: But you are creating revenue sources to service it.

The Chairman: Since everybody has been so crisp, I am going to let Mrs Marland ask a one-sentence question with no follow-up.

Mrs Marland: I want to use part of my one sentence to congratulate the Canadian Institute of Public Real Estate Companies. I think that it is very impressive that you are here in the public interest, because the truth of the matter is your residential development will sell no matter what the price, because people need to live in homes. I think the fact that you are here from a public conscience aspect, not solely in the interest of residential development and of your industry, but in the interest of the real affordability for those people who need to buy those homes, is impressive.

What I wanted to ask you was, when the development and building industries are being constantly asked by the current Liberal government to solve their housing problems for the province by coming up with innovative housing measures, ideas, concepts, would you agree that Bill 20 in its present form is counterproductive to any initiatives that you might develop to provide affordable housing in Ontario?

Mr King: Mrs Marland, surely you would not ask us to be partisan at a committee meeting of the House. But I do take your point. If there is one concern, and it relates to all matters in the planning and approval process in this industry bar none, time is the biggest single cost because time is money.

Our concern over this particular piece of legislation is that the startup, the implementation of the process once it is on the books, is inevitably going to take a lot of time as the respective interests do battle as to their priorities and as to what piece of the pie is for them. To that extent at least, the cost of that time will be counterproductive to the overall statement of policy, I think we all agree, and that is to tackle the affordability question and tackle the question of supply of homes.

 $\underline{\text{The Chairman}}\colon \text{Your submission has been very helpful}.$ The dialogue has been very helpful to the committee.

Our next submission is from the law firm of Goodman and Goodman, on behalf of Metrus Management. The brief was handed out to committee members yesterday; it is a 31-page brief plus appendixes. We have with us Julia Ryan from the law firm and Fraser Nelson from Metrus Management. Welcome to the committee. Perhaps you could give us some opening comments and then we could ask you some questions.

METRUS MANAGEMENT

Ms Ryan: I am Julia Ryan. With me is Fraser Nelson, who will make the presentation to the committee. We hope to make the presentation only about 15 minutes long, so that there will be time for questions, and both of us will be available to answer questions.

Mr Nelson: I am Fraser Nelson, general manager of Metrus Management, which is a residential, commercial and industrial developer in southern Ontario.

We have developed about 4,000 acres registered to this point in our 20-year history. We are now working on our largest project, which is 2,700 acres in Brampton, a part of a 4,000-acre community we call the Sandringham-Wellington community in Brampton. To date, we have submitted nine draft plans to the region. That comprises 1,100 acres of our lands in phase 1, which proposes some 7,500 residential units, of which 1,700 or 23 per cent are low-cost housing. Our goal is to begin construction of the services to allow the homes to be ready for occupancy when the school opens in September 1991.

Our brief today will address only school levies because that is our focus, although our formal submission does have other comments on the balance of Bill 20 and how it impacts on the Sandringham—Wellington community.

As you know, our company participated in the Urban Development Institute submission of yesterday, and we agree with its conclusions that an education levy is unfair to new home purchasers and renters.

I am now going to make a statement which may be ironic to you, but we do support a levy on schools that would accomplish what our associated company, Erin Mills Development Corp, proposed in 1988. That proposal was that a levy should finance the acquisition of school sites, not buildings. The intent is to use a levy to replace a developer's cost—sharing agreement that is presently required to equalize the subsidized school site sales. Bill 20 goes far beyond this initial proposal.

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As to the process, as you know, during draft plan approval, developers are requested by school boards to set aside school sites. Historically, it is the larger developments that have the school sites placed on them because they can accommodate that school siting and smaller land holdings are not required, by law, to help equalize that subsidized market sale to the school board.

The school boards execute option agreements to acquire the site when the province has issued its funding and then they have their site and away they go.

As to what the boards pay, in Peel region, the boards now pay 75 per cent of market value. In 1988, they paid 40 per cent. In York region, the boards there pay 10 per cent of market value. In addition, these boards require their lands to be fully serviced, fenced and pregraded by the developer.

Perhaps to assist you in the balance of my submission, we will be looking at the executive summary which is at the back, focusing on approximately nine points that I wish to make.

Point (a): School levies represent a fundamental policy shift in school funding from all ratepayers to a new home buyer. This is being introduced without prior consultation and with no financial analysis of its impact. We would propose that the levy not be introduced until the consultation has occurred and the financial impact reviewed.

I am now on page 3 of the summary.

Point (b): School levies will shift the cost of education to the new home buyers. I think you have heard enough of that in the discussion. We are simply saying, in addition, that the numbers we have seen from Peel region, the public board is setting out to reduce its debenture costs to existing taxpayers. In fact, it is reducing its debenture cost from 58 per cent to 31 per cent of the total cost of the school. The province, we already know, is reducing its capital grants from 41 per cent to 25 per cent. Therefore, 44 per cent of the total cost of a junior public school will shift to a new home buyer. That is set out in detail on a table, which should be on page 10 of the main text.

Point (c): Existing ratepayers, who had their schools funded by the entire community, will reap a windfall tax benefit. I do not think I need to repeat what you have just heard from the Canadian Institute of Public Real Estate Companies.

Point (e): school levies will defeat the province's laudable goal of providing affordable housing. Even without levies, it is almost impossible to meet the price levels set of \$149,500 for what obviously is ownership housing or first time buyer and \$89,500 for rental housing as called for under the government's policy statement on land use planning for housing. School levies of \$5,000 to \$10,000 per lot—and we have just come from a meeting with the York board and they estimate that they will be at least \$6,000 so we have their quantum anyway—will make it impossible to meet these provincial guidelines. This will hold true for Metrus's 1,700 affordable housing units in the Sandringham—Wellington community.

Point (f): School levies will not speed up the building of new schools and will not increase the amount of money available in the system for school funding. Under the legislation, lot levies can be used only to fund provincially approved cost of facilities. While this provision has the laudable goal of preventing increased gold plating by the school boards, it means that the levies will only allow the province to reduce its grants and the school boards to reduce general school taxes for existing home owners. They will not increase school funding or provide schools more quickly in new neighbourhoods. Although the province announced that its \$300 million capital school allocation would be used to approve more schools, this is not occurring in the Sandringham-Wellington community. In Peel the province reduced its capital grants to the public board, as stated earlier, from 57 per cent to 31 per cent of approved school costs and provided no funding for Sandringham-Wellington.

Moreover, the province continues its practice of only approving a new school when 50 per cent of the proposed pupils are already housed in that community. This policy will continue to delay the provision of schools in new neighbourhoods. It is being seen right now where the public board has objected to our nine draft plans, as submitted, in the Sandringham—Wellington community. They have objected on the grounds there is no available school accommodation and no provincial allocation through 1992, which are the figures they have from the province to date.

Point (g): Innovative methods must be found to reduce education costs. The first that comes to mind is to have developers construct the school and lease them to the school boards. We feel that leasing will speed up the delivery of the schools and it will be less costly. Developers would build the facilities when they are ready to develop the subdivision. If levies remained necessary, new home buyers would at least benefit from having those payments

made and seeing the school put in place immediately rather than in the three to five years you have heard from earlier deputations.

Lease payments would free capital for use on other facilities. It would be particularly cost-effective in the new development areas, such as Sandringham-Wellington where there is a large acreage ready to come on stream and a shortage of provincial funding. It may be possible to reduce or even eliminate school levies if a significant number of schools are leased.

We have yet to determine how the provincial grant would apply to school levies. That is certainly a question we would like to have answered in the near future.

Leasing will also alleviate the massive political pressure presently exercised on trustees to keep underutilized facilities operating when, in fact, they should be sold. Leasing would allow the lease to expire and move on to the next community.

To further explore the financial aspects of leasing, we have retained Price Waterhouse to do a cost-benefit analysis. We suspect, as in Sandringham-Wellington, that where provincial funding is not available, we could lease a school, at least in the short term, until that funding was available and get our community going with its affordable housing.

This study should be done in about 60 days and we are working together with the Peel board to have it apply their numbers so we can at least develop a number of scenarios and have them reviewed.

Policies must be introduced to eliminate gold plating by school boards. The act should be amended to set maximum school site sizes to eliminate the large increases which we have experienced to date. In Peel, in the last 10 to 15 years, the public board has increased its area requirements by 48 per cent, from five acres to 7.4 acres. That holds true in the region of York as well. The separate board have in fact increased their requirements by 75 per cent.

Their frontage requirements have increased from 300 feet to 400 feet in the region of Peel and in the region of York, they are going beyond 400 feet. They are now talking about 500 feet of road frontage.

The act should be amended to require school boards to build two— or even three—storey schools. We are quite prepared to put in elevators to accommodate the handicapped. The purpose is to reduce the land taken up by the building. Land costs have obviously escalated. The higher the building, the less footprints you need, you can save on the land. In addition, the quality of education is not affected with the height of the school and most adults here have been educated in two—storey or higher buildings.

The act should be amended to require boards to pay market value for school sites; otherwise, developers who provide school sites will be doubly taxed, once on the sale of the land at less than market value and again through the levy, at the time of building permit.

Again, at our meeting with the region of York this morning, it is trying to come to grips with that. There is no definition of what market value is. They are negotiating. They have a political problem with their trustees to pay market value.

Similarly, the act should be amended to give credits against the school levies to those developers who entered into school site agreements at below market prices. Again, we spent actually an hour this morning trying to resolve what that credit would be. There is a political problem. It is not solvable unless the province does address a formula, that allows the school boards to realize what that credit should be.

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Finally, and I will not elaborate on it, we simply do not support that commercial and industrial properties should be exempt. Our comments are in the report, which you can read.

In conclusion, we submit that the school levy provision of Bill 20 should be held in abeyance at this time. The levy provisions have been introduced too hurriedly, without consultation and without appropriate financial studies. Government should also consult with the development industry and review our Price Waterhouse study. We understand that the government is anxious to resolve this issue, but we believe that these consultations and studies will not unduly delay matters.

We recommend you follow the examples that the Peel Board of Education and York Region Board of Education are doing, which is to meet with developers to try and find out where the flaws are in the bill. The benefits in creating a more equitable, less costly and speedier system of providing schools will far outweigh any delay.

I think I will conclude at that because I see the time and it would only be repeating the recommendations we have made.

The Chairman: Thank you very much. I have questions from Mr Mackenzie, Mr Reycraft, Mr Cousens and Mr Cleary.

Mr Mackenzie: I have some difficulty with the "gold plating" argument—and I did read your brief last evening—that you make a number of times in terms of school boards and I wonder if somebody might not raise with you the fact that you want a levy for site acquisition only and that the history has been that most of the developers have been providing the sites in the past for less than market value.

We have a site acquisition which you are not paying. The purchaser-is going to pay. I am pretty darn sure that property is going to be paid for at full market value. It seems to me that, to some extent, is pretty self-serving. They guarantee the developer that he is going to get the full price for that lot through the lot levy.

Mr Nelson: You have raised two points, one on the gold plating where, in the region of Peel, they now only build single-storey schools and they have escalated their land requirements by basically 50 per cent. Certainly I have trouble when looking at a five-acre school site, which was the norm, and seeing that today's students need a 7.5 acre site. The region of York does build two-storey schools, so we have two adjacent boards with two different standards. That is the kind of gold plating I am talking about. I am not referring to anything else other than site requirements and this restriction on a single storey.

The second comment as to my proposal to charge a levy only on the land, where I am coming from there is the inequity that a developer who has the

school site—and usually it is the larger land owner because it makes sense that he can provide it and he is developing usually ahead of the smaller one—is put at a distinct disadvantage to the smaller land holder next door who pays nothing.

 $\underline{\text{Mr Mackenzie}}$: The only thing you are guaranteeing there is that we are going to see full market value for the acquisition of the site and that is a profit item. There are no two ways about it.

 $\underline{\mathsf{Mr}\ \mathsf{Nelson}}\colon \mathsf{I}\ \mathsf{think}\ \mathsf{we}\ \mathsf{are}\ \mathsf{just}\ \mathsf{trying}\ \mathsf{to}\ \mathsf{cover}\ \mathsf{our}\ \mathsf{costs},\ \mathsf{with}\ \mathsf{respect}.$

Mr Mackenzie: The other question, just quickly, is that affordable housing, the 1,700 units that you are talking about. What was the price of the affordable units? What was the intent to have them sold at \$149,000 as indicated here?

Mr Nelson: Unfortunately, I have not seen these. The numbers I have been quoted represent those numbers in York and, I believe, Peel. The official plan has the appropriate wording with regard to the developer providing his share of affordable housing. When we get to deliver that is the big question now, having the objection from the Peel board, and if it is three years from now it will be at whatever the province's numbers are at that time.

The Chairman: Mr Reycraft?

Mr Reycraft: Let me say, first of all, that not only was the elementary school that I attended all on one floor, but it consisted only of one room and I suspect there are others in this committee who have that similar experience.

Mr Pelissero: You do not look that old.

Mr Reycraft: Thank you very much.

I wanted to ask two question. I want to know what the rationale is for recommending that the province fully fund the acquisition of sites of schools instead of just 75 per cent of the site. I believe that is on page 20 in your brief.

Mr Nelson: Yes, it is. First off, we were told by Peel that it is at 75 per cent. We were told this morning in York that it is 50 per cent. The rationale is, and this is what the development community thought, that the intent was to allow the developer providing the school to achieve market value for his contribution. Again, it goes back to my previous statement which is to at least equalize all developers and put them on the same footing. It just flows from that that the province should be recognizing that market value system as well.

Mr Reycraft: I guess I do not see the distinction between having the province and the local board share the cost of construction of a new school and not share the cost of acquiring the site for the school. It seems to me that if the principle is that the costs should be shared that the principle should apply to both the school and to site acquisition.

Mr Nelson: Yes, and I agree with that, by the way, but I do not know that the province—when I say 100 per cent, do not misinterpret. I think your grants should be applied on your portion of the land value based on land value

at market value. I have to confess that I believe the province's funding is at something less than market value when you put it into your education funding formula.

Mr Reycraft: I think the province's share is 75 per cent of the actual cost or the appraised value, whichever is lower.

 $\underline{\text{Mr Nelson}}$: If that is the case in Peel it is not what we just heard this morning in York. We heard that it is only going to 50 per cent of the land value.

 $\underline{\text{Mr Reycraft}}$: That may be something that is resulting from direct negotiations between the board and the developers.

Mr Nelson: We just see that as widening the gap as well, whereas actual costs and grant costs, there is a disparity there that will widen that gap.

Mr Reycraft: So if the provincial grant was 75 per cent of the appraised value of the property, then you would not object to that sort of funding base.

 $\underline{\mathsf{Mr}\ \mathsf{Nelson}}$: That would be at least closer to market value, and that is fine.

The Chairman: Perhaps Ms Dalzell can help us sort this out.

<u>Ms Dalzell</u>: I am not sure where the 50 per cent figure comes from with respect to York. Right now the capital grant plan allows for 75 per cent of actual cost or appraised cost. What they may have been quoting was their rate of grant on total construction costs.

Mr Nelson: No, he was quite clear. His construction cost is dropping to 20 per cent and the land component would only be at 50 per cent. There was no misunderstanding on my part, but that is—

<u>Mr Reycraft</u>: My other question dealt with the study you are having done by Price Waterhouse, I believe it is. Are you also going to look at the viability of lease purchase agreements in addition to straight lease agreements?

 $\underline{\text{Mr Nelson}}\colon \text{Absolutely, at the request of the boards. It certainly suits our purposes as well.}$

Mr Reycraft: Good. Thank you.

Mr Cousens: There were three points I wanted to make, if I could. I will put them in the form of questions because of my experience with the York Region Board of Education. You stated that 50 per cent of the proposed students are already to be housed in the neighbouring school. My understanding of the figure before we can get a new school in York region is 80 per cent, so I think your figure might be a little low unless you have a new figure for me. If that is true I think I can go out and get some more schools.

Mr Nelson: That is the Peel situation as we have been told by Peel.

Mr Cousens: Okay, but I do not think that is the case in York region. I will check into that one. The gold plating—I would like to know

what you call gold plating, for my own understanding, because if it is the acreage you are talking about for a school site, is five acres adequate, or are you saying eight acres? If it is adjoining park land does that mean you can get away with less acreage, and so on, because to me—is there some kind of resolution that defines a site as being adequate if it is a certain number of acres, and if it is beyond that then the board should be paying full market value for it or something. Maybe you could tell me, after I ask the next question, whether or not you have a definition of what gold plating is, because I think Mr Mackenzie was on to something there.

My last point is, I just do not see how you can give credits to certain developers who enter into an agreement and certain ones who do not. I think there is an inequality that takes place because one developer owns most of the land and then someone else benefits because the school site is built there and he is able to develop his land without having any penalty of contributing towards the school site. I do not see how the credit for land is going to solve it. Maybe you could touch on some of those points.

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Mr Nelson: On the gold plating, in the region of Peel they have two levels: one where it is adjacent to a park, which reduces the size of the school site; and one where it is not and it is larger. They had that in the past in the region of York. They abandoned the reduction if you are next to a park and said: "We don't care. We're taking the larger site, period."

Mr Jackson: That is wrong.

Mr Nelson: Is that a-

Mr Jackson: You are right. I am saying the practice is wrong.

Mr Nelson: As I say, in Peel they recognize it. As to what is adequate, certainly the schools in Toronto range, and I do not have a lot of knowledge on this, from three to five acres for elementary. My comment has to be that the quality of education is no worse off in Toronto than it is in the region of York or Peel where they might have seven and a half acres.

They claim they need the extra land because of the day care that is being introduced, which is some 2,500 square feet, and that is why we jumped an acre and a half. My bias is that I think they need it simply because of all the portables that plop down on the site. As a result, they start off in a handicapped position anyway, but they will not admit that. If we could get this bill to the point where we could end up leasing and bring sites on sooner to get rid of those portables, there would be a tremendous tax saving both to the province and to the ratepayers.

As to your last comment—sorry, help me.

Mr Cousens: The sharing of credits.

Mr Nelson: This is very critical. We just closed this week with the York Region Roman Catholic Separate School Board on a six-acre site in Woodbridge at \$40,000 an acre. It is a 500-lot subdivision: 250 building permits have been obtained; we have 250 to go.

The board is looking at us and saying, "If we had a levy, we would charge you on your remaining 250 units." We have said: "We understand, because

by law you can do that. Now, what credit are you going to give us?" "Our trustees would not be interested at all in providing you a credit, because they don't want the political pressure for having made a deal with a developer to give him a credit when by law they have the right to charge." The developer is saying: "That school is clearly for our subdivision. You now have funding for it from the province. We should be exempt from the levy, because we gave you the land at \$40,000. Market value would be around \$700,000." They cannot come to grips with that unless the province were to set down a formula.

Mr Cousens: That is the York region separate board?

Mr Nelson: That is correct.

Mr Cousens: They will be in this afternoon.

Mr Nelson: We have a lot of sympathy from Mr Bobesich on that. We still have to talk, but it would help if the province would set out a formula that says, "Okay, we recognize that there is going to be a grandfathering here in those runups." In particular, if those houses are sold—rest assured that our builders are out selling those houses today, entering into contracts with home owners—I can guarantee you that those purchase and sale agreements are going to have a clause which says, "If there's a levy increase, we'll pass it on." That is simply the builder protecting himself. That is not what anybody wants, with an adjustment of \$6,000 on closing, nor do we feel it is needed.

The Chairman: Mr Cleary.

Mr Cleary: The two questions I had have already been touched on.

<u>Mr Ferraro</u>: On your last point, it would appear to me that irrespective of Bill 20, any knowledgeable builder would automatically have that clause about increased costs in there, because as you know, development charges can be increased, to be blunt, at the whim of many municipalities now. So it is nothing new, is it?

Mr Nelson: Absolutely.

Mr Ferraro: It is new?

 $\underline{\mathsf{Mr}}$ Nelson: Sorry, it is not new. Historically, councils can, by resolution, introduce a levy.

Mr Ferraro: I got the impression, though, in response to your last question from Mr Cousens that this was an innovative step being taken by builders, when it has been the state of the union, if you will, for years and years.

 $\underline{\mathsf{Mr}\ \mathsf{Nelson}}$: I just wanted to point out to the committee that that is common practice.

Mr Ferraro: Most of my questions have been answered. The last thing I wanted to say was that I want to commend Metrus Management, quite frankly, on its undertaking a study on the leasing aspects, something that has been of interest to this committee, certainly to me. I think it is refreshing to hear that, especially in light of the fact that we had, yesterday in fact, one board say that when it got into negotiation with developers it was not that excited, because it is dealing with provincial government, the time constraints and all the rest of it. So to have an empirical study being done I

think is helpful. I guess I will conclude by saying that I know you guys are paying for it, but we would love to see a copy if you so deem.

Mr Nelson: Our position is we would actually like direction from committee to have staff of both the Ministry of Municipal Affairs and the Ministry of Education meet with Price Waterhouse, and bring in a typical school board, Peel as an example, to flesh out all—we have three people at the table here, so I do not want to give you a study that is only between the school board and the developer. We would love to have the provincial staff there with us to fill it out. That is the reason for the 60 days, to be quite honest.

The Chairman: Would you be prepared to provide a copy, to begin with?

<u>Mr Nelson</u>: Absolutely. Right now we are in the information gathering stage. This school funding is a deep, dark mystery to most of the development industry, I can assure you.

The Chairman: Perhaps a meeting could be arranged with ministry officials as quickly as you can get the information together. The committee would also be interested in seeing the results; if you are prepared to give them to us.

Mr Nelson: Absolutely.

 $\overline{\text{The Chairman}}\colon \text{Thank you very much. Thank you for your presentation.}$ It was very worth while.

CITY OF ETOBICOKE

The Chairman: Our next witness is the city of Etobicoke, which is represented by Bruce Ketcheson, the solicitor, and Linda Bunce, principal planner with the planning department. Welcome to the committee. The Etobicoke brief is being distributed at the moment. Perhaps you could lead us through it and then entertain some questions?

 $\underline{\text{Mr Ketcheson}}$: As indicated by the chairman, I act as solicitor for the corporation of the city of Etobicoke. We are here on the instruction of Etobicoke city council.

When Bill 20 was first enacted by the province and circulated to the municipalities, our council directed the city staff to review the provisions of the bill and the draft regulations, and to come back with recommendations to council with respect to the impact the bill would have in terms of the city's current development levy policies.

That process has been ongoing for some period of time now. As a result of the review process there were a number of matters identified by staff which my municipality felt required some additional clarification from the province in terms of the implementation of the bill. These are detailed in the written brief which has been circulated to the committee. Before I go to the particular matters which we feel require clarification, there are two preliminary points I would like to make for the committee.

The first is that the city of Etobicoke has previously adopted a resolution supporting a position adopted by the Association of Municipalities of Ontario in response to the provincial green paper entitled Financing Growth-Related Capital Needs. You will note on the first page of my written

brief that basically the position of the city of Etobicoke at that time was that lot levies for the schools should not be introduced; the capital grant program to school boards should not be reduced; and, finally, that growth—related capital costs as defined under the bill should include fixtures and other types of similar equipment.

Since the release of Bill 20 and the draft regulations, staff have reviewed both the bill and the regulations. From the perspective of my client, these three concerns have not been resolved. Etobicoke's position remains the same as was previously enunciated in response to the AMO position.

The second preliminary point I would address for the committee is that the city of Etobicoke does welcome the government's initiative in bringing forth Bill 20. Etobicoke, like many other municipalities, has traditionally applied a variety of development levy policies. Our municipality welcomes the initiative of the government in providing a fairly clear statement of the statutory authority under which these levies can be calculated and applied. So Etobicoke views Bill 20 as being a very useful initiative and it welcomes its introduction.

Having gone through the bill there are a number of points I would like to highlight for the committee which, again, our municipality feels require clarification in terms of the implementation of the bill. I am just going to review these briefly. What I am referring to now is the series of numbered paragraphs commencing on page 2 of the brief.

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The first point relates to the definition of a "capital cost," which is set forth under section 1 of Bill 20. To reiterate, our municipality feels that the current definition, which excludes "costs incurred or proposed to be incurred to acquire vehicles, furniture, office equipment, supplies, inventory or similar items" is too restrictive, that these types of expenditures are legitimately incurred by a municipality as part of the provision of additional services generated by new development. Therefore, we feel that the costs incurred by providing these types of items should be included under development charges levied pursuant to Bill 20. Our municipality would request that the definition be amended to include the recovery of these types of cost expenditures.

The second point relates to the definition of a "municipality," again referred to under section 1 of Bill 20. The question was raised during the course of our review as to whether this definition would include a local board or commission. Specifically, the example I discuss in the position paper involves lands or facilities that are owned by a public utility commission and whether, for example, the construction of a new building or new development by a public utility commission would be subject to the exemption from the application of a development charge as provided for to a municipality under the bill. We feel the definition should be clarified to include both the local boards and commissions, which are part of the local municipal government structure.

The third point, and these are fairly technical points, arises with respect to the exemption provided from the application of the development charge to lands which are owned by a municipality. Again, in our view this is too restrictive. It should include lands both owned and leased by a municipality, because in some cases the municipality does lease lands and establishes municipal facilities on the lands and we feel that those projects

should be exempt as well from the application of the development charges.

The next point relates to the interpretation of subsection 3(6) of Bill 20. As the committee may be aware, this subsection provides that a development charge may not be imposed with respect to certain matters, including the provision of "local connections to watermains, sanitary sewers and storm sewers." The city of Etobicoke, like many other municipalities, has traditionally relied upon the authority of section 219 of the Municipal Act to recover the costs associated with providing for water connections to private lands on to existing municipal systems. The bill is unclear as to what effect it would have in terms of the recovery of costs under that particular section. In our view, subsection 3(6) should be clarified to make clear that it does not preclude a municipality from recovering those types of expenses under the Municipal Act.

The next comment I would make for the committee relates to the application of the appeal and complaint mechanism under section 8 of the bill. As the committee may be aware, this section deals with a situation where the development charge bylaw has been enacted and applied to a particular project and an owner of land wishes to file a complaint with council concerning the application of the bylaw. Accompanying that complaint process there is also a right to pursue an appeal to the Ontario Municipal Board.

There are two comments we would place before you with respect to the application of that section. First, in our view the wording is not clear under clause 8(1)(a) with respect to "the calculation of the development charge imposed being based on an incorrect number of units." Specifically, it is not clear to us whether the reference there to the incorrect number of units would be to units within a particular project to which the development charge bylaw is being applied, or whether it could refer, for example, to the calculation or projection of a number of units within a development area which has formed the basis for the calculation of a general levy under the development levy bylaw.

We would ask for some clarification about how this particular appeal or complaint section is to be applied: whether it is to go forward strictly on the basis of a project-by-project situation or whether in fact it could be applied to challenge a number of units under a development charge bylaw.

Second, the reference to units there has been interpreted by our staff as referring primarily to residential developments or perhaps industrial or commercial condominium developments. There may be situations where a complaint is going to be filed by a land owner with respect to a commercial or industrial development which is not being put forward on a condominium basis; the dispute may in fact involve a fight over commercial or industrial floor area as opposed to a unit count. It is not clear to us how those types of situations would be addressed under subsection 8(1).

The second concern staff have identified with respect to this particular section applies to the time period for filing the complaint. In that regard, I would ask the committee to make note of the appeal remedy that is available, I believe under section 4, with respect to the actual adoption of the development levy bylaw itself. Subsection 4(4) sets forth a procedure very similar to a zoning appeal under section 34 of the Planning Act, and that section creates a specified time period for the filing of an appeal and referral to the Ontario Municipal Board. However, section 8, which deals with the complaints to council about the application of the bylaw to a project, does not specify any time period under which that complaint has to be filed.

In our view, that would be a major loophole and would create the possibility that a situation could arise where an individual developer has come forward with a project under the bylaw, the development charge has been assessed, payment has been collected from that developer, building permits would have been issued, and then some time down the road the developer could come back and raise a complaint with respect to the amount of the calculation on his particular project. In our view, there should be some firm time period established under which those complaints can be filed.

Finally, there is considerable confusion at the local level as to whether the development charges bylaws are intended to cover the calculation and payment of cash—in—lieu payments under section 41 of the Planning Act. As you may be aware, there is currently a statutory mechanism in place now to allow municipalities to take cash payments in lieu of park land dedications on individual developments.

It is not clear from a reading of Bill 20 whether the province intends that this type of mechanism is to be carried forward or whether the development charge bylaw in fact will substitute itself for that particular statutory mechanism. We feel that some clarification is required in that regard in terms of the relationship between the two sections.

I guess the last point we would ask the committee to take into consideration is that, having gone through Bill 20 and having taken a look at our draft regulations, it is apparent to us that Bill 20 is going to have a very wide-ranging impact on the development levy policies applied by municipalities right across the province. There is going to be considerable confusion and complexity to be dealt with in the implementation of this bill. We therefore would urge upon the committee that an ample lead time should be provided to the municipality and to the development industry if this bill is given third reading, in order to allow its provisions to be brought into force. We have suggested a two-year time period following the date of third reading.

The Vice-Chairman: Thank you. Any questions?

Mr Polsinelli: Mr Ketcheson, I am interested in your recommendation 2, where you ask whether the term "municipality" includes local boards. We had before us a few days ago the Municipal Electric Association, an organization which I am sure you are familiar with, which represents the public hydroelectric commissions. Their contention was that they do not want to be covered by this bill. Is there any particular reason that perhaps the Etobicoke Hydro-electric Commission would want to be covered?

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Mr Ketcheson: During the review of the bill in the draft regulations, the city staff were approached by representatives from the Etobicoke Hydro-electric Commission. Routinely during the processing of subdivision applications by the municipality, there are certain types of development charges that the hydro commission specifically wants to see addressed through the approval process on the subdivision applications. In that regard, there was some discussion arising out of this bill as to whether or not the hydro commission would be included as part of the municipality for the purposes of implementation of the bill or what standing the hydro commission would have as a separate commission in terms of the application of the bill and those types of situations.

That was the basis for the consideration of it. It was subsequently determined that in the case of Etobicoke Hydro they have a number of pieces of vacant land which they are now opening up for redevelopment and in some cases are developing directly on their own. Again, the question was raised as to whether in situations, for instance, where they are putting up a new building on hydro-owned lands, they would be subject to the development charges bylaw or whether their land would be exempt from the application of the bylaw under subsection 3(5) of the act, which provides the exemption for municipal lands. We could not give them the answer on that.

Mr Polsinelli: I see the distinction.

Mr Cousens: I am just concerned as to how much Etobicoke is presently charging as a lot levy and what the range is of your lot levies. To what degree do you feel that lot levies, by being applied for school boards and other areas, as will be available under Bill 20, are going to increase the cost of housing? Have you any thoughts on that? That has largely been the reason people have been opposing the school board lot levies.

Mr Ketcheson: I do not have any financial projections as to what the impact of the bill will be within the Etobicoke housing market in terms of the cost of a new home in terms of redevelopment which is going through rezoning or subdivision application. With respect to the parks component, the city has applied the two per cent and five per cent calculations provided for under section 41 of the Planning Act. That is strictly with respect to the parks components on the developments, cash in lieu for parks. We are not sure, reading Bill 20, as to what the status will be of that particular section if the bill is approved. That is one area of concern for us.

With respect to applications for severance going through a committee of adjustment, they have currently been applying a levy of about \$1,750 a lot on a severance application. That again is being reviewed and the thinking will be that the amounts of the levies will be brought up closer to the two per cent and five per cent calculations which are being used for the section 41 calculations on rezoning and subdivisions.

I do not have a financial projection for you as to what the impact is going to be on the local housing market if Bill 20 is approved.

Mr Cousens: Is that part of the rationale that was in the thinking of the councillors when they asked you to come and make this presentation? You have said you do not support it for schools. What are the reasons then?

<u>Mr Ketcheson</u>: The basic reasons for the city's position with respect to its support regarding the Association of Municipalities of Ontario were detailed in a position paper that I understand was submitted to the Treasurer.

Mr Cousens: Your standard AMO response?

<u>Mr Ketcheson</u>: Yes. This formed the basis for the council resolution and forms the basis for the current council position today with respect to the school boards.

Mr Morin-Strom: We have been given a list of the 100 most populous Ontario municipalities and the amounts of the lot levies that have been charged by both the local-tier municipality itself and the upper-tier regional government, or Metro Toronto in your case, and this indicates that Etobicoke is one of the few that has no lot levy at all. That puts it in a category with

communities which are typically low-growth communities, particularly from northern Ontario, with two major exceptions being the city of Toronto and the city of Etobicoke having no lot levies at all. Would you have intentions then of utilizing lot levies on a municipal basis based on this legislation or continuing with your previous policy?

<u>Mr Ketcheson</u>: Actually, the entire development levy policy in the city of Etobicoke is currently being reviewed. That review was initiated prior to the release of Bill 20. Following the release of Bill 20, the review started to take a different direction, because at that point in time staff had the bill before it and could start to react to it.

Etobicoke is in somewhat of a unique situation, I guess, in the sense that it is a mature municipality and there is not a large number of parcels of vacant land left for new development. Whether the city would go back, if Bill 20 was approved, and impose some form of lot levy policy is a matter that really has not been determined at this time. I can give you a breakdown on what the current levy polices are, but all of those policies are being reviewed and are being reviewed now in the context of Bill 20.

Mr Morin-Strom: One of the contentions we have heard, particularly from communities around Metro Toronto which have very substantial lot levies, although not within the Metro Toronto community per se, is that the city of Toronto is able to get away without having a lot levy because it is able to negotiate deals with developers in order to get the zoning approvals and major payments are made by the developers directly to the city on a deal basis. Is that the practice in Etobicoke as well?

Mr Ketcheson: No. The city applies a variety of development levy policies to individual applications, but the type of deal-making that you are describing that takes place in the city of Toronto has not traditionally been applied in the city of Etobicoke.

The Chairman: Thank you very much for your presentation. It is of assistance to us.

The next witness is the town of Markham. Representing the town of Markham are the town solicitor, Robert Swayze, and Regional Councillor Gordon Landon. Welcome, gentlemen. Your brief is being distributed. Perhaps you could lead us through it.

TOWN OF MARKHAM

Councillor Landon: As you know, this Tuesday the region of York was down and made a submission. I have included that in this submission as well, simply because I want to refer to a few statistics in that submission. As well, Mr Swayze is our legal solicitor for the town and he will be making slightly different remarks than maybe Mr Oakes did, who was here at the committee meeting on Tuesday as well.

Also, my presentation here—I am sorry it did not get numbered; it was just reproduced this morning—starts out about halfway through. It is called the town of Markham submission, if you want to follow what I am going to be saying.

I have been the chairman of finance for the town of Markham or acted on the budget committee for the past nine years. I was also on the task force on ${\sf Bill}$ 20 for the region.

As I said earlier, I think the concerns of the municipality are somewhat different from the region's. The region has different things that it uses its levies for. I wanted to focus my remarks today on the financial implications to Markham and maybe the political concerns that we have with it. Mr Swayze will address the more technical legal problems that he sees with the bill.

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Just for the committee's information, the region of York's population stood at 250,000 in 1981 and has grown to 435,000 in 1989. Through discussions with various ministries, and particularly with the greater Toronto area staff, we have agreed that the region will grow to 800,000 by 2011. That is the Hemson report which was tabled, and I think we have had extensive discussions with Gardner Church of the GTA office on that aspect.

At the same time, in the last decade Markham's population has doubled and is approximately 140,000 today. I think we can say we have the fastest-growing region in the area, with Markham certainly being the largest town. It may not be the fastest-growing now, but it certainly has experienced considerable growth.

It is interesting to note—and I think it was brought out earlier in the regional discussion—that the region of York has accounted for 25 per cent of the growth in this province in the last 10 years. I would like you to reflect on that for a minute and realize that we have lived with growth, we have managed growth, we have experienced growth, and we are going to be experiencing it in the future. I think probably we are one of the best-equipped areas to talk to about growth. You have probably talked to other regions within the greater Toronto area, but I think York region in particular has had to deal with it.

We try to develop a well-planned community that is well financed. We feel right now that we have to be very careful of any external changes that are imposed upon us as a town or a region. I think Bill 20 is a financial threat to us as far as we are concerned within the town and the region. It is against that background that I would really like to continue.

We recognize in Markham and we recognize in the region that the schools are not being adequately funded. For those members who have been in York region and have seen the situation, we have a number of portables and we do not have schools that are adequate for our children. For that reason, I think the town does not necessarily want to oppose the introduction of an educational levy. We do not feel that is a responsible action by the provincial government. We think it is a shift of funding from the province to the new home owner. On the other hand, we realize there has to be a solution to the financial problems that boards of education are facing at this time.

We have cautioned the boards to be very careful in dealing with this because already, because of this education lot levy coming in, you are talking about reducing capital funding from 75 per cent to 60 per cent. Recent meetings with some of the trustees in Markham have indicated to me that they are now being asked to pay market value for property for school sites. I think of the two sites that were in discussion this week, one was \$6 million and one was \$14 million. Previous to that, I think the development industry was very predisposed to selling land to the school boards at a lower price, so maybe the levy itself will be offset by the reduced funding and market value for school sites. So we would caution the school boards to be very careful in negotiations with the ministry and hope they can work out their problems. We

are not taking the position that we are opposed to it, but we are still somewhat concerned.

I think our solicitor for the region, Ted Oakes, was here on Tuesday. He had taken a very legalistic interpretation of subsection 3(1) of the bill and was suggesting that soft costs for libraries, firehalls, etc, be excluded from being funded from levies. That is not my interpretation of that. I think I heard one of the gentlemen here say at that presentation that this area was being redrafted and we could proceed on the basis that you were not just going to talk about hard services to the land, you were going to be talking about all the services in the community. I think that has been recognized, so I am not going to dwell on that particular aspect.

I also want to point out to the committee that these initiatives taken by the provincial government quite often have other costs that they do not seem to consider when they impose them upon municipalities or regions. I know right now we are going to have to implement a planning study within Markham to determine what our levies should be under this bill, which is going to mean hiring an outside consultant. We are going to have our solicitor or outside legal people involved in drafting the bylaw. We are going to have ongoing administration costs. Our treasurer at the present time feels that could involve two or three extra people in his department because of the change in the way the levies are being collected and collecting them for the school boards. Also, we will be experiencing a loss in interest income, which is not something we like either. After that, we are going to be involved, I assume, in more appeals to the Ontario Municipal Board, which then ties up our legal staff and professional consultants who have to go. Those are not even factors that are considered guite often when legislation like this comes in.

Markham is largely a community of single-family dwellings which in itself dictates the nature of the services required. The lower densities require us to put in more parks, fire stations and libraries because of the physical distance that separates our residents from facilities, unlike Toronto where you have higher densities and you can build facilities that are maybe more compact.

Also, one of the points that has been made recently is that we are providing the housing for Toronto today. In the actual downtown core of Toronto, housing is declining and we are being forced to accept that housing outside of the Toronto area, and that is a trend we see continuing.

It has been the policy and the belief of the Markham council that existing residents who live in our community should not be subject to the costs that are associated with the growth in our municipality. When faced with a choice of taxing all the residents for growth or debenturing or increasing our development charge, our philosophy in Markham would be that the people coming in are the ones who are causing the costs to go up and they are the ones who should pay for those services, not the existing people. Either debenturing or increasing taxes requires the existing people to pay for those services.

Going down to our combined levy, our levy in the town is \$3,500 per unit and the regional levy is \$5,800 and change, which equates to about three per cent of the purchase price of an average property in Markham today, which is about \$310,000 or about half the fee that you would expect to pay on a real estate transaction, because normally you do not have to pay on a new home. So I do not think we are talking about an onerous amount of money that the new home owner is having to pay out when he moves into Markham when you consider it only represents three per cent of the market value of that home.

This three per cent has been successfully used to build and equip firehalls; to provide parks for our children to play in; libraries and community centres where they can learn about the community and discover things that are going on; to provide transit systems so we can move our people around between these facilities and take them to work. All of these things are essential, I think, in the planning of a community like Markham.

We just cannot understand the rationale for Bill 20, which requires us to alter a successful formula simply to reduce some portion of the charge which represents less than three per cent of the cost of a new home.

Because of Markham's growth and expansion, we have kind of a unique tax structure where 73 per cent of the taxes collected today go to the boards of education; 14 per cent of that goes to the town of Markham and 13 per cent goes to the region of York.

The town of Markham has a very proud record of maintaining its taxes. Over the last 10 years—and as I said, I have been involved in most of that process—we have been able to keep our tax rate stable. But during the last decade, the boards of education, because of the demands placed on them, have had to continue to increase their tax rates. This year, due to the freezing of unconditional grants, the introduction of pay equity, changes to the Occupational Health and Safety Act and other provincial policies, the town for the first time in 10 years had to really increase its taxes by 16.67 per cent. That is despite a growth rate of 13.4 per cent. So in real terms, it is a pretty scary percentage. The town of Markham would have been able to hold its taxes this year if some of these initiatives had not been brought in.

The region faced about a 17 per cent increase, due again to the freezing of unconditional grants, and the boards of education are really plugging along at their normal rates, which are between 12 per cent and 15 per cent.

I can attest to the fact that these increases that went through to our property owners were very disturbing to them. I have had hundreds of calls over it and there is an attempt by the residents in our communities now to revolt over these tax increases. They cannot afford those kinds of increases. It may be misconstrued in the press a lot that we have a lot of money in Markham and people are very wealthy. I am talking about single parents, I am talking about old—age pensioners, I am talking about people who simply cannot afford to pay those kinds of increases.

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Looking at the implications of Bill 20 to Markham, I recommended to council a week ago that we immediately institute a hiring freeze. This freeze was partially implemented, because we could see the implications to our municipality because of Bill 20. You can see on page 4 of the York region submission that the minimum impact on Markham under this bill will be at least a 12 per cent increase in taxes and could be as high as 91 per cent, and that is only the town's portion. If you look at the region's, it could be 19 per cent and it could be as high as 61 per cent. Also, regardless of whether this development charge goes in, the board of education will continue to have to increase the amounts of money it is collecting from the taxpayers. We had no choice. We realized, as politicians, we just cannot continue to pass these increases on and we have started to take corrective action.

I might sound a bit alarmist, but we are in a position right now where we are going to build a firehall in Milliken. We cannot staff it because of

this bill coming in and the implications to our taxpayers. It is unlikely we will be able to put the fire trucks into it that are required. We do not have the capital funds to do that. We have a community that is developing to 60,000 people, which will not have the required fire service it needs.

An alternative to passing the burden on from Bill 20 to our taxpayers might be to finance this created shortfall. We strongly object to that. We think that financing growth—related costs impacts our existing taxpayers again, because they are the people who are going to be paying the costs of it. This practice has been carried out by the provincial government and the federal government and we can all see what that has caused; we have large deficits and increasing debt outstanding at those levels of government. We just do not feel we want to do that.

The region of York submission indicated that our debt ratio was up to about 15.9 per cent, and I believe it was Claudio who questioned our financial people at that time about that percentage. I have done our own calculations on it and actually, without hydro debt, our ratio is only 2.5 per cent. We have been fortunate in that sense. It has been a policy of council not to debenture; the last time it really did was in 1974.

That does leave Markham theoretically with the ability to debenture on our calculations about \$62 million, but you realize to carry that amount, we have to increase our taxes about 60 per cent. I realize we would not utilize the whole thing at once. In meetings I have had with the Treasurer of Ontario (Hon R. F. Nixon), he has indicated to us that he would prefer that we use our debt capacity because the provinces use theirs. I really do not think that this is what municipalities should be doing. I just do not think we have the ability to pay that back. We only have very few sources of revenue and they are property taxes in most cases. Our development charges have been a very traditional manner of being able to fund our growth in our municipality.

We have given a lot of thought to what the rationale is for Bill 20 and we really wondered if it is considered that municipalities are secretive and unfair about their development charges? Is this one of the motivations for the bill? I have personally been involved in two cases when development charges were raised. In one case, I conducted a 10-year requirement study and found that we would be short of substantial amounts of money to provide the necessary services in expanding areas of Markham. To accommodate, the development charge was raised from \$2,200 to \$3,200 at that time.

The development industry was concerned, and I met with them and explained that we could not provide the essential services to our residents without the increase. The development industry agreed that without these services, the houses would be less marketable. They agreed with Markham and paid the increase without hesitation. Markham recently increased its development charge to \$3,500, due to an increase in costs associated with constructing new facilities and due to its revised estimate costs in the 10-year forecast. Again, that increase was put through and I really do not think anybody has objected to it.

Through the last decade of charging development fees on thousands of development projects, we have never been challenged. In fact, the region of York could probably count on one hand the number of challenges that it has had, although there may be some coming. I really think the real reason for Bill 20 is a compromise with the development industry, to allow the educational levy charges to be offset by the reduction in municipal levies. I really hope that is not the case, but that is what we are reading into it at this point.

As for recommendations that I have, I believe you can see from my remarks that we are very concerned with Bill 20 and legislation may be required to add some consistency and credence to the development charges. But please understand the real losers, if this bill is enacted, are the property owners and the winners are the province and the development industry.

If we could make some recommendations, the one thing we would like to see you do now is split the bill and continue, if you wish and if the Treasurer wishes, to go ahead with his educational development charges—I realize he has a problem; he has a budget he has to adhere to and go ahead—then let's have a new bill with regard to municipal development charges.

The new bill should allow us to finance growth-related costs and not have the exclusions we have been talking about. I do not have a problem if the municipalities were required to enact their development charge bylaw with release studies and everything else. In fact, if you want us to hold public hearings and you want to give people the ability to take our bylaw to the OMB, I have no problem with that. I think we can be fair and open and provide the kind of information that the development industry and the public are looking for. But we do not want to be put in the position, I think, of accepting the bill the way it has been presently constructed.

I believe our solicitor has a few points he would like to address.

Mr Swayze: Yes, in view of the time constraints, I would like to focus on just three sections of the bill. You will see that in our presentation I am responsible for the last five pages. I have set out the sections I am concerned about in the presentation.

Subsection 43(1) provides that we can no longer put any kind of charge related to development in a subdivision agreement. An example of the problem that will cause in the town of Markham and, I suggest, in other municipalities is that we do 90 per cent of the servicing for industrial subdivisions ourselves. We charge that cost off to the developer, which often is of benefit to the developer because we can get a better price sometimes and we can put several subdivisions together, but we build the services and charge the developer. This section, if it stands, would prevent us from doing that from now on and deny any municipality the option of constructing services and charging the developer.

There are other charges where the cost is more appropriately paid by a municipality and then charged to the developer. A small example is water meters. It makes more sense for us to install the water meters; we want to make sure they are operable. We buy them and install them. We get a better price and we charge the developer our actual cost. Again, this bill as it is drafted would prevent us from doing that.

I am concerned also about the practice throughout the province, and certainly of major concern to me in the town of Markham, of the security we take from developers for the obligations that are incurred in entering into a subdivision agreement. That is done by way of letters of credit. We take letters of credit worth, I would venture to say, close to \$1 billion. That could be termed a charge under this act. I am concerned that it may be subject to attack and that, of course, would open the municipality to all sorts of obligations.

I have been presumptuous enough to actually draft the amendments I am suggesting. I do not mean to try to jump into the shoes of your staff, but if

you go to my second-last page, I have redrafted the section as a suggestion. The purpose of this section is to prevent duplication. You do not want a municipality passing a bylaw, having charges in there and then turning around and hitting the developers with a subdivision agreement, hitting them again for the same costs the municipality has included in its calculation.

I am suggesting the act be amended to provide that where it "imposes a charge for any capital cost included or capable of being included in the calculation of a development charge"—those are defined terms in the act: "development charge" and "capital cost"—you cannot duplicate it but you could charge a developer for internal servicing costs and, for that matter, external servicing costs where it is more appropriate for the municipality to spend the money.

1150

I will go as quickly as I can. In the second section I refer you to subsection 3(6) where you will see, "No development charge may be imposed with respect to"—and I suggest to you the reason for that section is also to avoid duplication—certain things a developer has already paid for.

The words "installed at the expense of the owner" are omitted from clause (c). My understanding of the words "local connections," which are not defined in the act, is that they can be very major sewage or water works. We have examples in Markham of local connections that are half a mile long. To suggest that the municipality cannot look at those local connections in advance and put them in a development agreement or, by the same token, charge a developer directly for them is, in my mind, a mistake. I think it will make our subdivision agreements subject to attack, and I would like to see the words back in. You will see that is the way I have redrafted it, with just the same words, "installed at the expense of the owner."

Last, I ask you to look at subsection 8(1). I am concerned about not only the effect of this section but also the perception of the effect by the various treasurers throughout the province. These complaints may go beyond just, "Oh, you've got the wrong number of units." They may go into something very serious. My serious problem is that there is no limitation on the developer at any time to bring these complaints.

The essence of subdivision development is that the municipality agrees to allow the growth and the developer agrees to pay the costs. It is a negotiated transaction that happens. To suggest that the developer can be allowed to go ahead, complete his development, sell his houses—and then he has nothing to lose; he will come back with a complaint. I would like to see some limitation on these possibilities of complaint, which the treasurers are going to perceive as a contingent liability with interest running for ever.

My submission is that there be some kind of restriction, and I am suggesting, if you look at the last page of my submission—again, it is only a suggestion—that no appeal should be allowed after the complainant has entered into an agreement under section 40, 50 or 52 of the Planning Act or has obtained a building permit under the Building Code Act.

My reason for that is I do not think it is fair to allow a developer to renege. If he has agreed to pay the development charges and we release his development and allow him to proceed, I do not think it is fair to have him come back and complain about the charges after he has agreed to pay them.

Those are my respectful submissions. We are both open to any questions.

The Chairman: Thank you very much. Your brief makes a lot of sense.

Mr Cousens: On the point that was made by Mr Landon earlier on the complaints of the taxpayers in Markham, I would like to just underline how serious it has been. The tax bills came out within the last couple of weeks and we have had as many phone calls on this as an issue as anything our riding office has had in over a year. Very angry, very upset. It is just people who are concerned about the ability to be able to pay it. It is a \$700 increase, on average, for ratepayers in Markham this year alone. That was a very, very hefty increase.

I have to tell you, in support of what Mr Landon has said, that my office is very supportive of his efforts to try to keep costs down—and also the worries about the flow—through from the province that is becoming a reason for these increases.

I have two questions I would like to ask, and one has to do with a commitment that we have all made within our own community for affordable housing. You refer to it, but I would like to know what impact these lot levies would have on our ability as a community to do our share in providing affordable housing, whether it will have any impact at all. That is my first question. I have another one, but I would like to see what the answer is to that.

Councillor Landon: Mr Cousens, I guess that you and members of the committee might know that we have entered into an agreement with the province right now to look at a 2,200-acre parcel of land east of the Ninth Line, and the province has requested us to do a study on that. The province owns that land. It will be our intention, and I think it is the province's intention, that that land or some portion of it, probably up to 35 per cent, will be used for affordable housing.

Although we may be construed in the press all the time as being a very rich community, we have made and are all the time making affordable housing available within there. Even though our house prices, as you see them, average \$310,000, we have had co-ops built there. We have recently had a new large subdivision up against \$1-million homes that has a component of affordable housing in, as the former minister, Ms Hosek, requested us to do. It is our intention and it will be our intention to continue to provide affordable housing.

The one thing I will say, and I do not see it in the bill and I do not know whether it is going to be brought forward, is that there be a reduction in the levies for affordable housing. Frankly, they represent such a small portion of the new price of a home, and municipalities could not afford to service those affordable houses with the same kind of services that the rest of the community is getting. I really believe that they are entitled to it as well as everybody else in the community, and I think those levies would have to be paid to allow us to provide the same level of services that we are providing elsewhere. The talk of removing them, I think, would only result in a decline in services in new housing areas and I really would not want to see that.

Mr Cousens: I appreciate that answer. I have one other question, Mr Chairman.

The Chairman: If I can ask a supplementary on that, are you saying that your municipality could not afford to have a reduced lot levy on affordable housing, or no lot levy on affordable housing?

Councillor Landon: If we did that-

The Chairman: I believe the option would be in your hands.

<u>Councillor Landon</u>: What would happen if we did not collect levies on, say, a component of affordable housing that we are talking about here is that then we would not have the funds to build the community facilities that new community would need, or that new portion of the community, so that is our alternative. We do not have alternative financing to provide firehalls and parks and other types of facilities.

Mr Morin-Strom: Can you up the levies on the balance? You have the balance pay 25 per cent higher so that those who can afford are paying reasonable levies, and if 25 per cent of the housing is designated affordable housing, they have no levy. You could still collect the same amount.

Councillor Landon: That may be one alternative. I think we are looking at Bill 20 and its very tight parameters on how we establish our levies. I do not believe there is a provision in there at the present time to reduce them and pass them on to another component because we are putting affordable housing in. I do not see in the bill that you can offload. You have to justify the levy you are putting on the house that you are presently doing. I think we would have the new home owners taking us to court saying: "Why are you passing levies on to us? You're not entitled to do that."

 $\underline{\mathsf{Mr}}$ Cousens: Certainly from where I see things, there has to be an equity for all new home owners to be paying that share of the costs of the new services. Again, one of the worries I see is that there is going to be a flow—through to the existing residents in the community if there is not some kind of sharing of the full costs of it without throwing it on people who buy a certain level of home that is larger than another.

I have one other question, and I realize the tightness of time, but you said something that has me more than a little concerned. In Milliken, some 60,000 constituents of mine are living and will be living there. May I just ask what you are planning to do with the firehalls? Since Bill 20 says you cannot get rolling stock, do I kind of pick up an inference that you might be building firehalls but not putting fire reels inside them? Is that the kind of thing I hear you saying?

Councillor Landon: Mr Cousens, I will go further than that. Because of the staff freeze that has been put on the municipality, we will not be putting staff into that firehall. Because there is a minimum of firemen required on a truck, our fire chief cannot take and suddenly spread his people out thinner to staff that hall. Also, because the fire trucks quite often are worth more than the price of the firehalls, if we cannot finance them through levies, we will not be able to put a truck in there. If we proceed with our building plans for that firehall, we are going to end up not being able to staff it and not being able to put fire trucks into it for a period of time.

That is not good, because we have got, as you say, a community that is almost reaching its potential of 60,000 people with a single firehall that does not provide adequate protection there. I think it would be inappropriate for the municipality not to proceed with that, but under this particular legislation, I can see that kind of scenario developing.

Mr Cousens: I am certainly watching that one closely.

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Mr Reycraft: Mr Landon, thank you for the brief. You indicated early in your presentation that you understood that there was some agreement that subsection 3(1) of the bill would be redrafted. I just want to make sure I understand what you were saying. Do you mean that the definition of "capital cost" is going to be changed?

Councillor Landon: Our solicitor, Ted Oakes, from the region of York, which was here on Tuesday, had taken a very legalistic interpretation of that section and said "services related to the land," which would be sewer, water, roads, etc. His interpretation of that section, because it said "of the land," would not permit you to finance the building of a firehall, a recreational centre or a community centre. I believe, and I do not know the gentleman's name up here, but he indicated to Ted Oakes at the time that staff was aware of that legalistic phrase "of the land" in that section of the bill and knew that this was the interpretation and that something would be done.

It would seem contradictory to me to have an exclusion section saying that you are excluding these things and then have another section saying, "but we are going to exclude everything else." I think there obviously was a drafting problem in the bill, which I was alluding to.

 $\underline{\text{Mr Reycraft}}\colon \text{Although the development industry thinks that is a logical distinction}.$

Councillor Landon: Yes. That is what they think.

<u>Mr Reycraft</u>: Yes. I think, to be fair, we should indicate that the definition of "capital cost" is going to be a policy consideration for this committee. It might be premature to say that there is a commitment, though, to broaden the definition at this point. I think it is something that the committee is going to be looking at very carefully, though.

<u>Councillor Landon</u>: Mr Reycraft, I hope your definition has growth—related capital cost in all of them, and then we would be quite satisfied with that definition.

Mr Reycraft: Yes. As I have inferred, there are others who would not be too satisfied with such a decision.

I want to also ask you about the proposed rewording of subsection 43(1). Mr Swayze, I think this was part of your presentation.

Mr Swayze: Yes.

Mr Reycraft: My understanding of subsection 43(1) is that it provides for the replacement of development charges under the subdivision agreements with development charges under Bill 20.

Mr Swayze: That is right. But it does not say "development charges"; it says "charges related to development." My interpretation makes it very broad. You think of what a subdivision agreement says and almost anything in there could be inferred as a charge related to development so it is a very, very restrictive clause.

I am just trying to soften it a bit. We can have charges. The developers may want us to build the services and then we charge them. We do not take a markup on it; we charge them. We can have a charge related to development in a subdivision agreement for internal services, and there are some external services where we expend the moneys and then charge a developer specifically relating to his development. It is not something that we can contemplate in advance.

Mr Polsinelli: That is a chargeback; that is not a charge. Those are services that should have been installed by the developer, and what in fact they are doing is subcontracting that work to the municipality. That municipality is then charging it back to the developer.

Mr Swayze: That is correct.

Mr Polsinelli: But it is not a charge.

Mr Swayze: No. In a subdivision agreement, there is a charge related to development. That is what the wording is in the act: "charge related to development." You cannot tell me that is not a charge related to development.

Mr Polsinelli: I would have a different interpretation of that.

 $\underline{\text{Mr Swayze}}$: What is a charge related to development? A development charge is defined in the act.

Mr Polsinelli: A charge related to development would be a charge in the nature of a tax; a charge in the nature of extracting money from the developer so that the municipality can perform some service. The situation of the scenario that you illustrated is a charge for a service that has been performed by the municipality on behalf of the developer at a straight chargeback to the developer. Instead of someone who installs sewers going in and installing the sewers, the municipality will go in and install sewers and whatever the cost was to the municipality, the invoice will be sent to the developer; but that is not a charge in the nature of a tax.

Mr Swayze: I understand what you are saying, but you are asking me to artificially change the way we draft our subdivision agreement. We are going to have a kind of construction contract with the developer. We are going to have a subdivision agreement and keep everything else and have a construction with the developer, which is artificial.

Mr Polsinelli: No, I do not agree with that either. I think what you have now is the construction contract and the subdivision agreement. I do not read this section as precluding you from doing that.

 $\underline{\text{Mr Swayze}}$: With respect, the charge related to development, I take a very broad interpretation of those words.

Mr Reycraft: Bill 20 very clearly defines "development charge." It refers to it as "a charge imposed with respect to growth-related net capital costs."

 $\underline{\mathsf{Mr}\ \mathsf{Swayze}}$: That is correct. If the words were "development charge," I would agree. They are not. The words are "charge related to development" and they are done intentionally to avoid duplication.

 $\underline{\text{Mr Reycraft}}$: I do not think there is any difference in the intent of the bill and what you are asking for.

 $\underline{\text{Mr Swayze}}\colon I$ would be happy if you changed it to "development charge" then, but I am sure you will not.

Mr Revcraft: We will certainly take a look at your request. May I go on, Mr Chairman?

I share the concern that you expressed, Mr Landon, about the increase in cost to school boards of sites. Developers complain that under the existing system there is a basic unfairness. Large developers are required to provide sites at below—market value and those sites ultimately benefit other developers who are not required to make similar contributions.

While I am somewhat sympathetic to that complaint, I am also concerned that we do not permit developers to benefit from the sort of windfall that would occur from rapidly enhanced land values. Certainly in your region of the province land values have gone up dramatically in the last few years. Therefore, so has the market value of school sites.

Do you have any comment on requiring something for school sites that is similar to what is now required of all developers, large or small, in terms of recreational property where developers are required to make the five per cent contribution or a contribution in lieu of land?

Councillor Landon: Within Markham we usually get into a developers' agreement, or at least the developers get into a developers' agreement, the land holders within an area. All land dedication of that nature would be divvied up between the developers, so it is not against one land holder versus another one. The school site is usually for a planned neighbourhood and the land holders in that area are under an agreement and are all compensated among themselves for giving up land for parks, schools and whatever. I do not think there is any one developer in that agreement who is benefiting or losing. I do not think one is doing a favour for another one.

In terms of the developers themselves whom I have dealt with and we have dealt with in Markham over the years, they recognize the need for schools. You can remember, I think, back in 1980 when we stopped development in Markham. We put a development freeze on Markham because of the schooling situation. We would not issue another building permit in Markham. The developers were down here trying to get you people, or whoever it was at the time, trying to get you guys to let them go ahead. What we find is that most developers are quite willing to give up the land at those values they were giving them up at, cheap values, because they know the schools are necessary for the communities. That is the way I viewed it.

Now that you have said, "Okay, Mr Developer, you've got \$5,000"—or whatever the number is going to be—"for an education levy," they will say: "Why should we co-operate with the board of education any more in providing the land for schools at ridiculous prices when now we are having to fork out this development levy to the board of education? We want market value for our land."

They want market value as though they are building houses on it, and you know the price of land in the greater Toronto area today. That is an exorbitant amount of cost that the school boards are going to have to absorb. That is why I said earlier that I do not believe they are going to benefit from this educational lot levy that is being proposed unless you are going to put in other legislation here to control the price of land. Then the developers are really going to be down here pounding on your desk.

I do not think it has been an unco-operative thing with the development industry, to explain to it that we need services in our communities, whether it is schools, parks or community facilities. That is why I do not think we have had any problem with levies, and that is why I do not think we have had any trouble with the school boards, particularly in getting the land they need.

<u>Mr Ferraro</u>: I am mindful of the time. I just have one question, so let me charge right into it. This is to Mr Swayze with regard to subsection 8(1), your concern about the ability of a developer to subsequently attack the question, the agreement signed and your recommendation particularly.

Mr Swayze: Yes.

Mr Ferraro: This a two-part question. I am not a lawyer by any means, but to suggest that once they sign the document, that is it—are you at all concerned about the Charter of Rights implications in that? Second, at the very least in my mind, I seem to be assuming there was an adjustment there with the company. I guess I would be a little more content, for lack of a better word, to see a specified time limitation, say six months, as opposed to saying, "Look, pal, once you sign that agreement, tough bananas."

Mr Swayze: I considered that. I considered putting in a time limit. When you have interests running, it is of great concern to consider 10 years, 15 years, whatever, if there was some error made. I think maybe there should be a time limit as well, but I am concerned about the developer reneging. The essence of this transaction is that where we release growth, he pays some costs. In fact, if there is not any finality to that, then I think we have a potential problem. I am suggesting that once he has signed the development agreement, the subdivision agreement, the site plan agreement, whatever, where we by that document release the development, that should be the end of it. I do not see how the Charter of Rights applies to a contractual deal like that.

Mr Ferraro: Let me finish with this, Mr Chairman. Mr Swayze, in your opinion, if there was a specified time in which such action could be taken by the developer, or either side for that matter, would that be a stronger position in the law?

 $\underline{\text{Mr Swayze}}\colon No.$ It would be, except that you are changing the moment at which the development is released.

Mr Ferraro: Yes, I understand that.

Mr Swayze: You may have a municipality say, "We are going to wait until that time runs." I think a municipality wants to be assured that the cost of development, or whatever cost is negotiated, will be paid. That is why I am suggesting that instead of a time period.

 $\underline{\text{Mr Ferraro}}\colon$ The question, of course, is who does interpret the agreement.

Mr Swayze: The courts. Again, I think my approach will produce less litigation. I respect Mr Polsinelli's comments about charges related to the development, but who needs litigation?

Mr Ferraro: Lawyers.

Mr Cousens: Stand up and be counted.

 $\underline{\text{Mr Swayze}}$: If he and I disagree, then that is going to produce some litigation.

Mr Haggerty: You can see where the problem is, can you not?

The Chairman: The interest the committee has shown is obvious. Your presentation was excellent. You had very specific concerns and recommendations. We appreciate it very much.

The committee should remember that we are returning at 1:45 pm sharp. We have a presentation at 1:45 pm.

The committee adjourned at 1213.







STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

DEVELOPMENT CHARGES ACT, 1989

THURSDAY 31 AUGUST 1989

Afternoon Sitting



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS
CHAIRMAN: Cooke, David R. (Kitchener L)
VICE-CHAIRMAN: Pelissero, Harry E. (Lincoln L)
Cleary, John C. (Cornwall L)
Ferraro, Rick E. (Guelph L)
Haggerty, Ray (Niagara South L)
Hart, Christine E. (York East L)
Kozyra, Taras B. (Port Arthur L)
Mackenzie, Bob (Hamilton East NDP)
McCague, George R. (Simcoe West PC)
Morin-Strom, Karl E. (Sault Ste. Marie NDP)
Pope, Alan W. (Cochrane South PC)

Substitutions:

Cousens, W. Donald (Markham PC) for Mr McCague Jackson, Cameron (Burlington South PC) for Mr Pope Polsinelli, Claudio (Yorkview L) for Mr Kozyra Reycraft, Douglas R. (Middlesex L) for Ms Hart

Clerk: Freedman, Lisa

Staff:

Anderson, Anne, Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Municipal Affairs: Tassonyi, Almos, Senior Economist, Taxation Policy, Municipal Finance Branch

From the Ministry of Education:

Dalzell, Elizabeth, Policy/Legislation Analyst, School Business and Finance Branch

Individual Presentation:

Lipson, Barry D., Legal Counsel; with Macaulay, Chusid, Lipson and Friedman

From the York Region Roman Catholic Separate School Board: Bobesich, Frank S., Director of Education and Secretary-Treasurer Virgilio, Joseph, Chairman Sabo, John, Superintendent of Business Affairs

From the Halton Roman Catholic Separate School Board and the Halton Board of Education:

Williams, Bob, Director of Education, Halton Board of Education
Hillhouse, Pat, Chair, Halton Board of Education
McCauley, Irene, Vice—Chair, Halton Roman Catholic Separate School Board
Byrnes, Cliff F., Director of Education, Halton Roman Catholic Separate School
Board

From the Durham Board of Education: Brown, Ian D. R., Chairperson Laing, Pauline, Director of Education Cain, Brian, Superintendent of Business

From the Toronto Board of Education: Silipo, Antonio, Chairman Vanstone, Ann, Chairman, Standing Committee on Education and Finance Snell, D. Bruce, Associate Director of Education—Operations

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 31 August 1989

The committee resumed at 1345 in room 151.

DEVELOPMENT CHARGES ACT, 1989 (continued)

Consideration of Bill 20, An Act to provide for the Payment of Development Charges.

The Chairman: I am calling the committee meeting to order once again. The standing committee on finance and economic affairs is reviewing Bill 20, An Act to provide for the Payment of Development Charges, which the government has sponsored and which has received two readings in the House and has been referred to this committee for hearing depositions from the public and discussing changes, if the committee so desires, on a clause—by—clause basis.

This afternoon we will conclude our public depositions. We will be hearing a little later on from the York Region Roman Catholic Separate School Board, the Halton Board of Education, the Halton Roman Catholic Separate School Board, the Durham Board of Education and the Board of Education for the City of Toronto.

At the moment we have Barry Lipson, who is a barrister and solicitor with Macaulay, Chusid, Lipson and Friedman. Welcome to the committee. I understand you have some comments you wish to make. Perhaps you will leave a little time for some questions.

BARRY D. LIPSON

Mr Lipson: I speak on behalf of 11 developers within our firm who collectively build, on average, approximately 20,000 residential units a year. On their behalf, there have been a number of issues I have addressed in previous meetings with members of the Ministry of Municipal Affairs, the Ministry of Education and the Ministry of Treasury and Economics.

I decided that rather than burden the committee with a clause-by-clause critique, what I would like to do is address two major issues that transcend the entire act. The first is whether the committee has been previously made aware of the fact that the act unintentionally will assuredly impair and perhaps frustrate thousands of transactions in the province by virtue of the retroactive nature of the legislation.

More specifically stated, historically you must understand that in the early 1980s the development industry experienced the 21 per cent, 22 per cent prime rate situation. Up until that time, their practice had been to build housing on what they called spec housing, namely, they got block financing from the banks, constructed row housing and then proceeded to sell based on construction that had been completed or was under way.

The devastation of the housing industry in those years created a brand-new trend that has continued since that time, namely, that builders now

only build, will only build and are permitted by the banks to only build based on presales. They will put up models and then hope there will be traffic to their subdivisions, based upon which there will be sales or what they call presales. Then they will construct, based on those contracts that have been entered into with the intended purchasers.

That has, as I say, been the practice in the last six or seven years. There are thousands of examples of contracts that have been entered into between the housing industry leaders and the various house purchasers who have bought houses in anticipation of delivery 6, 9 or 12 months, in some cases 16 or 18 months, after the contract was entered into.

I have to isolate one provision in the act for you. By virtue of the fact that the act says a development charge and an education levy both will be exigible at the time that a building permit is applied for, we have a situation in which, because the act has not addressed the interim period—and I am referring now specifically only to the interim period, that is, the period of time during which contracts that had been entered into will be impacted by a levy that no one had reasonably regarded as being a fait accompli in 1989. We must remember that talk about education levies has gone back many, many years and it has never been anything more than talk until last 12 December, when a green paper was tabled in the Legislature.

But we have within our office—and I am sure we are only illustrative of other offices in the province where major sales were made in 1987 and 1988, not in anticipation of an education levy ever being imposed; up until that time it was understood and time—honoured that the province looked after the provincial matter of education—we have within our office, and I have been asked to address this specifically, an instance where there are literally thousands of purchasers who are awaiting delivery of houses with fixed—price contracts in place.

What commonly happens, and here you must take a little guidance from my experience as a developer's lawyer, is that as soon as draft plan approval is obtained, whether subdividers be in a separate category from builders or subdividers/builders, in order to obtain the financing they need from the banks to service those lands, the banks say to them, "You must provide takeouts" or "You must provide funds that will enable us to be repaid."

So what they must do is to enter into contracts with purchasers whereby they promise to deliver the house as soon after the building permit has been released to them as is possible. The reason this becomes a fact is that in order to plan their affairs properly, they must enter into these presale contracts where there is no latitude and no margin for error is permitted.

They agree to sell a house at \$240,000 or \$280,000, whatever the case may be. They build into their projections what they reasonably anticipate their construction costs to be. They know at that point what their land costs will be. They know what the levies are as of that time, and they will commonly provide a small cushion to provide for levy escalation, because levies do go up over a period of time. But never, ever has anyone contemplated the impact of an education levy which, I am assured, could be as high as \$6,000 to \$9,000, depending upon the area in which the levies will be applied.

Therefore, what we have in two builders I specifically have in mind—but as I said earlier, I am speaking on behalf of 11 different builders who are so impacted—is a situation where by virtue of the imposition of the levy against a firm contract price for which there is no relief they can have, virtually

all of their profit, some of their profit or more than they are able to make on the house may be lost to the payment of the levy.

What we would then have is one of two situations arise. Either the builders will, as a matter of self-preservation, somehow manage to cancel the transaction so that they are not obliged to enter into loss transactions with house purchasers, or alternatively, they will have to honour their contracts, which will devastate their ability to function in the province, where their profits and much of their equity have been eroded by the imposition of an education levy that they had no way of foreseeing.

The problem therefore becomes how we deal with a situation where, in the interim, we have people who have in good faith, in honest judgement, exercised their ability to produce housing based on the demands made by the banks, namely: "You must produce presales. Without presales we will not be able to provide you with the financing you need to service your land."

I have spoken with Ron Trbovich of the Ministry of Education. I have spoken with Tony Salerno, an assistant to the Treasurer (Mr R. F. Nixon). I have spoken with Rick Temporale at the Ministry of Municipal Affairs. When I spoke to the Treasurer, I explained to him the unfairness that the retroactive nature of the act would impose. He said: "I didn't realize that. Please check with Tony Salerno and identify the problem for him." I have, and Tony has come back to me and said:

"Mr Lipson, we understand your concern and the way in which we are going to address it is that we are going to propose that the act have effect only from 12 December 1988, which was the date the green paper was tabled. That way, you will be granted some measure of relief to those clients of yours who entered into house contracts prior to 12 December 1988. There will be some relief afforded to you, but I cannot help you and those of your builders who sold houses after 12 December 1988. They are going to have to absorb the education levy somehow." When I asked why 12 December was so relevant a date in his mind, he said, "That's the date we went public with our intentions."

I would like to turn now to the second issue which is related to the first, but I must emphasize that it is really a distinct and separate issue, that is, that we have in this province and in this country two time—honoured traditions. We do not create charges that people will be criminally liable for retroactively and we do not create tax that is retroactive in its nature.

This province has been scrupulous in passing legislation which, when it is in the form of taxation, indirect or direct, always has been effective as of a date in the future so that people were able to plan their affairs. I pointed this out to Mr Salerno and he said, "But the green paper." I brought him nothing less authoritative than the federal Court of Appeal, and I will leave this with the secretary of the committee for your information. This is the federal Court of Appeal speaking:

"The learned trial judge erred in considering relevant the stage to which Bill C-55 had advanced in the parliamentary process. Whatever its stage in that process, it is sheer speculation to assume that any bill before Parliament will proceed to enactment and proclamation. That is so regardless of the majorities which the governing party may enjoy in either or both of the houses, the potential longevity of the particular favour of the certain passage of the government bills to law. One should not have to speculate on whether or when a bill will become law."

I gave this to him and he said, "Yes, that is relevant but we began

talking to members of the Urban Development Institute in January." When I checked with UDI, I found that it was only certain members of the executive with whom he had checked. The point very simply stated then is that if we depart from what has been a time—honoured practice in this province and impose legislation that is retroactive in its taxation, we will have established a precedent that will go far beyond this act.

Whenever we pass legislation which has had an impact on the industry such as, for example, the Land Speculation Tax Act, which was a devastating act in its effect on the industry—but even in that instance the Legislature said, "We will only impose land speculation tax with respect to contracts that are entered into after the date that this bill receives royal assent." I am proposing to you, the members of the committee, that we do the same thing with the Development Charges Act.

My suggestion to you, respectfully submitted, is that in order to ease the transition of this bill into place, we should have a provision within the bill that says that contracts with respect to the sale of houses that had been entered into prior to the date at which this bill receives royal assent shall be exempt from the education levy and the development charges payable hereunder.

I only have another moment, I see. I make this point bearing in mind that I, for one, am very much in favour of this bill. I do believe that the bill will enhance the availability of building lots and housing in this province immeasurably. It is a bill long in the coming, and I think it should be received and received well by the industry, except for the interim period. The portion of the bill dealing with front—ending, I can tell you for certain, will open up roughly 2,000 acres of land in Markham years before they ever would have been available otherwise.

You are not speaking to someone who is critical of the bill in its purpose and objective, but I am saying that under the circumstances in the interim period, we have tried every which way to ease the burden that is going to be imposed, but there is no other way except to provide an exemption for those contracts entered into in good faith with house purchasers prior to the bill's receiving royal assent.

1400

Mr Polsinelli: Thank you for your presentation. Would you do me a favour? When you go back to your firm, bring my regards to Murray Chusid.

Mr Lipson: Thank you, I will.

Mr Polsinelli: I had some dealings with him when I was an alderman in North York. I have a lot of respect for him.

Were your discussions with Treasury strictly verbal discussions or was there anything in writing?

Mr Lipson: The discussions with Treasury are all in writing. I have written three letters to Mr Salerno now, but each one of them, as I said earlier, deals with a specific provision and addresses what I think is a weakness within that provision. Only in a general way did I deal with the matter that I have addressed the committee about this afternoon, namely, that the bill should not have a retroactive effect. The other comments that I have made to the director of fiscal planning are with respect to strengthening and clarifying certain provisions in the act otherwise.

 $\underline{\text{Mr Polsinelli}}$: So the discussions dealing with retroactivity were strictly verbal?

Mr Lipson: They were verbal. Mr Nixon has a copy of a letter that I have sent to Mr Salerno referring to the retroactive nature, but there has been no brief submitted as such.

Mr Polsinelli: In terms of your comments that house purchasers or builders who entered into agreements not cognizant of this legislation will be negatively impacted, for those agreements that were entered into, say, in December last year or January this year, when would be the anticipated closing date?

Mr Lipson: I can give you instances. In Elgin Mills East, which is Richmond Hill, the reason those contracts were entered into a long time ago, namely, 1987 and the early part of 1988, was because there were problems that were thought to have been resolved. The problems were not resolved. Therefore, even now the plan is not yet registered that affects some 15 developers in Elgin Mills.

To answer your question, if all goes well, I anticipate that these plans will be registered this fall, building permits applied for either this winter or this spring and housing available this coming summer.

Mr Polsinelli: Would those be contracts between the builders with the developers to acquire the lots or would they be with the builders and the individual home purchasers?

Mr Lipson: Individual home purchasers. You must understand there is a distinction here that I perhaps did not emphasize enough. In order to obtain their development financing from the banks, developers must enter into deals with the builders to sell lots to the builders. In the same vein, in order to arrange their financing, builders enter into presale contracts with purchasers. Purchasers do so because now they have a span of time in which to order their affairs properly and in effect to execute resales of their houses if these are in fact resales.

Mr Polsinelli: I understand that aspect of it. I have a couple more points. In terms of those contracts, would there be escape provisions in terms of the builders?

Mr Lipson: No. I have looked at them. That was a question I reasonably anticipated. There are no escape provisions, so one of two things will have to happen. Either the builder will come cap in hand to the purchaser and say please, and I leave it to your imagination what the purchaser will say. Alternatively, the purchaser will find that he has builders who do not want to close.

Mr Polsinelli: I have a bit of difficulty understanding that, because if the contracts were entered into in 1987, the closing date surely would not have been two or three years down the line.

Mr Lipson: What these contracts provide is that the closing date shall take place and there is a date specified, 120 days, 90 days, after a building permit has been made available. So there is a finite to the agreement, but there is no date that is a deadline date. If that were the case, I would have no issue with the bill.

Mr Polsinelli: Okay, I understand that and I appreciate the problem

there, because the point I was going to make is that this is permissive legislation. At the earliest, the Legislature could pass it when it resumes its session in October and then the bylaws would still have to be passed by the local school boards after that. We are still looking at a few months, I would think.

Mr Lipson: I can bring you as current as this morning's meeting with Bob Cressman of York Region Board of Education. Bob anticipates that the bill will receive royal assent in or about the end of November. In the weeks preceding that, he plans to have his bylaw in place, so that as soon as the bill receives royal assent, the bylaw will be in place for the imposition of the education levy.

 $\underline{\text{Mr Polsinelli}}\colon \text{He would have to have public hearings prior to implementing that bylaw.}$

Mr Lipson: Yes, but they will be retroactive in date. However, building permits will not be available until servicing has proceeded on that subdivision. Building permits commonly become available 90 days to 120 days after a plan is registered, because you need that time span in which to service the lands. Therefore, you are talking about applying for a building permit in winter or early spring. The levy will be payable, but the builder does not have a release of any kind to deal with the imposition of that levy. He cannot pass it on to the purchaser, and yet he may or may not be able to absorb it within his profit margin.

Mr Polsinelli: One question: very, very quickly.

The Chairman: All right. Speak fast.

 $\underline{\text{Mr Polsinelli}}$: Profit margin, and that is often a contentious issue. On a home that sells for around \$300,000, what type of profit margin are we looking at?

Mr Lipson: Commonly, they get profit margins of \$10,000 to \$15,000 unless they happen to be in the fortunate position of having bought lots very, very cheaply and having been able to pass those charges down to a purchaser.

Here we have a different situation because these houses were sold about a year and a half to two years ago. That was before construction costs went up, as they do, and that is before various levy increases occurred. So we are in the unfortunate position that because legislation comes forward at an untimely moment, and many of these subdivisions have been postponed—and I think the committee has already been told that many of the municipalities are deliberately dragging their feet in order to avoid the plans being registered quickly, because they are able to get increased levies within the first year, after the plan is registered. You have the combination of circumstances coming together better that is impacting on costs. Therefore, what could have been generous profit margins to begin with have been shrinking dramatically over the last year and a half to two years.

Mr Ferraro: I hear what you are saying. I am just wondering, though, from the other perspective, if there were no retroactivity allowed, first of all, speaking for my own community, the city of Guelph, I would have the mayor and the aldermen, who have essentially increased their lot levies recently, calling for the remainder of hair that I have.

The second part of the question is, you would have developers, no doubt,

running out—notwithstanding what pressure banks may have placed on them—dumping all their lots before the bill is passed.

Mr Lipson: I am sorry; I am missing the latter part of your point.

<u>Mr Ferraro</u>: The second part of it would be that if we were to suggest that we are not going to allow any retroactivity with this bill, I suggest every land developer in Ontario would run out and sell all his lots today.

Mr Lipson: No, not their lots; they would have to sell their houses, you mean.

Mr Ferraro: Sell their houses. Yes. It would mean a hell of a lot of loss of revenue, quite frankly.

Mr Lipson: There would be great difficulty for them to do so now, remembering that the market has come to a grinding halt. If you read the newspapers and follow the plight of the industry now, you know that there are no sales being made; the 13.5 per cent prime rate has brought everything to an end. Builders are not able to move their products now. So the timing, to answer your question, is very bad for builders to try to sell off their houses in order to be exempt under the Development Charges Act.

But I think the first part of your question was not properly answered, without making reference to your hair. Those deals that are exempt, if they indeed were exempt under an amendment made to the act—it is true that the ministry would be out that cash raised by the imposition of levies that I am asking for relief on. I am telling you something what you know, but it would be the province that would have to ante-up the shortfall created by any exemptions that you may grant.

Mr Ferraro: The last question I have, Mr Lipson, pertains—and you can enlighten me with your expertise—to the agreement itself, wherein you protect the developer, if you will, from any additional cost by putting in a clause, let's say, referring to subsequent increase in a municipal—lot portion. And I am sure it probably applies as well to any permit increase.

Mr Lipson: I have had that comment thrown at me by a number of members of the government now—

Mr Ferraro: The point being, is that not a major point of retroactivity?

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Mr Lipson: I understand your point, but it is not going to be protected in this case because those builders who were astute enough to say that any increase in the municipal lot levy would be passed on by way of an increase in the purchase price—and there have been builders who have been aggressive enough to put that in—it is not going to help them in this case because this is not a lot levy increase; this is a levy being imposed by the board of education. Even though the treasurer of the municipality is collecting it, it is not a lot levy; it is an education levy, and those builders who thought they had covered their backsides are sorely mistaken. They are out of luck. The house purchaser can say: "No. I am not going to pay it because it does not apply to the clause." The act—

<u>Mr Ferraro</u>: Excuse me for interjecting, but I would have thought that in the case, in particular, of very large sophisticated developers, when you are dealing with a number of municipalities where one, for example, is collecting the lot levy for a hydro authority, that they would have had a clause this big to cover their rear ends, quite frankly.

Mr Lipson: At the risk of admitting to an inadequacy, I think I am very good at what I do, but even if I had anticipated this, I could not have covered it because I would have thought it was going to be a lot levy increase and the clauses that commonly appear in the industry by lawyers far smarter than I have not covered it. So there is no way that this can passed on to a house purchaser, I assure you of that. Otherwise, I would not be here.

The Chairman: Okay. Your submission was very clear. We have gone over our time.

Mr Polsinelli: Just one more question, very quickly. In terms of your Elgin Mills situation, would not the builder just have to go out and get a building permit prior to the time of the passing of the lot levy bylaw to protect himself?

Mr Lipson: Yes.

Mr Polsinelli: And that still gives him another three or four months.

Mr Lipson: He cannot get it.

Mr Polsinelli: They do not have final approval yet?

 $\underline{\text{Mr Lipson}}\colon \text{No. Even if he applies for a permit now, they will not release it.}$

 ${\it The \ Chairman}$: We have given your submission a very clear hearing, and I appreciate the forthrightness with which you have presented it. Thank you.

We now have the York Region Roman Catholic Separate School Board with Frank Bobesich, director of education, Joe Virgilio, the chairman, and John Sabo, business affairs superintendent. Welcome to the committee. I do not know whether you were hearing what was going on—I guess you were, most of it. You may or may not wish to comment on that, but in any event, we welcome you. Your brief is being distributed and perhaps you could lead us through it.

YORK REGION ROMAN CATHOLIC SEPARATE SCHOOL BOARD

Mr Virgilio: Good afternoon. I am Joseph Virgilio. Mr Bobesich is on my left and on my far left is Mr Sabo. We have been trying with Mr Lipson, by the way, in meeting with our developers, to come to some meaningful discussion with them on this matter. It is quite an important thing for our region and for the whole of Ontario.

The York Region Roman Catholic Separate School Board has often been referred to as the fastest—growing school board in North America, and while growth brings excitement and challenge, it also brings stress and frustration. The provision of accommodation for the board has been a major concern and an area of frustration for many years, and it will be for many years to come. It is estimated that the board will require a minimum of six elementary schools and one secondary school each year for the next seven years, just to keep up

with the projected growth.

In addition, the board is faced with a backlog of additional building projects requiring approval to reduce the present overcrowding. Just to give you some idea, an elementary school is costing us approximately \$6 million and a secondary school over \$20 million. One of the biggest components is land. In York region as well, as you will see, the cost of land is very expensive now.

In numerous briefs and letters to the Treasury of Ontario and the Ministry of Education, the board has presented facts and concerns surrounding the provision of pupil accommodation and urging reform of present methods of financing capital projects. For many years now, lot levies have been advanced as a possible mechanism to assist in the financing of capital projects. Further, the board believes that land developers must demonstrate a social responsibility to the broader community in assisting with the provision of services essential to the community; for example, our schools.

The board therefore was encouraged by the proposed government initiative included in the green paper of the Treasurer (Mr R. F. Nixon) entitled Financing Growth-Related Capital Needs. The board is pleased and in favour of the present draft regulations for the Development Charges Act as it relates to school boards. This brief is intended to emphasize support for the draft regulations and offers specific comments and concerns as they relate to the York Region Roman Catholic Separate School Board.

As you are probably aware, York region is a significant growth area in Ontario, with a regional population rising from 252,053 in 1981 to 409,292 in 1988. A recent provincial forecast has projected the population in the York region to rise from almost 400,000 residents to 802,000 by the year 2011.

As a result of this unprecedented growth, enrolments for the York Region Roman Catholic Separate School Board have skyrocketed from a 1984 total of 17,218 to the present 1989 figure of 36,748. That represents more than a doubling of student enrolment in five years. Appendix A presents actual and projected enrolment for the years 1984 through 1998. It is projected that by 1998 approximately 63,781 students will require education and accommodation in our school system. That represents in excess of 27,000 additional pupils to the present 1989 population in just 10 years.

At this time I would like to ask that Mr Bobesich to go to the other figures that we have available here today.

Mr Bobesich: Mr Chairman, and ladies and gentleman, as Mr Virgilio indicated and as expressed by the coterminous board presentation represented by Carolyn Parrish yesterday and also our colleagues from the York Region Board of Education, we are in support of this intended legislation.

Admittedly if we had access to sufficient moneys from the provincial level, our passion for this legislation would not be as great as it is. But given our particular circumstances, which I hope to detail for you, I think you will come to an appreciation of why passage of this legislation is certainly essential to our particular board as well to the other boards in the growth group, the Growth Boards Coalition.

I would like to draw your attention to just a few figures on page 3. I shall not read the whole brief, but just by way of few benchmarks, over the past year we have experienced what you would have to agree is substantial and dramatic growth. In 1984, we had a student population of 17,000 youngsters

with 40 schools and some 123 portables. In a five-year period, coming to 1989, we have almost 37,000 youngsters in 59 schools with 368 portables. We show the differentials and the increases on the last portion of that page. Suffice it to say that the provision of facilities has not kept pace with the actual realization of growth in the region.

I would like to talk briefly about the capital forecast as submitted to the Ministry of Education by our board for a five-year period of time. Some of this material is contained on page 4. As you probably know, each board is obliged to submit a capital expenditure forecast on a yearly basis and the one that we have appended for your attention here indicates projects spanning a five-year period totalling in excess of \$400 million.

Now let's have a look at the most current year. For this current year, as also appended, we require and requested an allocation of \$128 million to meet immediate existing needs. The response from the ministry by way of allocation was \$78 million. Obviously, there is a shortfall of close to \$50 million currently. This does not address the elimination of portables throughout the region but rather was speaking to responding to immediate pupil needs. So as we sit here we are dealing from a position of shortfall of some \$50 million, and not only was that a substantial difference compared to what we needed, but I draw your attention to the fact that that allocation has been spread out over a three—year period, obliging the board, in fact, to proceed with some projects that are absolutely essential for want of space on a debenture basis because we cannot expect grants for several years down the road.

So, we come to financing of accommodation. Our annual debenture and interest-carrying costs have increased astronomically over the past several years, as a matter of fact by some 203 per cent, to its current level which exceeds \$10.3 million. Our long-term debt position has increased by 283 per cent to its current level of \$60.4 million. We try to illustrate that somewhat graphically on page 6. I know there was some interest in the committee yesterday, some questions that were raised by various members of the committee, posed to other boards, relative to their debt charges, their percentages of budget, etc, etc. In a thumbnail, our current budget is \$173 million. Our current debt-carrying costs are \$10.3 million which represents 6 per cent of the total budget.

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On face value that may not seem alarming. What is alarming is the information that I would like to spend a moment on. On page 6, if you look at the 1984 figure of debenture interest and carrying costs at \$3 million or \$3.3 million and the long-term debt position at \$15.7 million, and compare that to 1989 which reads \$10.3 million carrying charges and \$60 million long-term debt, you will notice a significant increase.

You may have read in the various media that York Region Roman Catholic Separate School Board increased the mill rate to our ratepayers by some 18.5 per cent this year. That was a phenomenal increase in our mind, and yet we had no choice but to effect that kind of substantial increase and hit our local taxpayer with that kind of increase, simply for the purposes of surviving.

Approximately six per cent of that 18.5 per cent increase was a direct result of a one-year increase in our annual debenture and interest-carrying costs. The following reality began to impact quite significantly on me, as a relatively new director of education. To put this thing into perspective, the

magnitude of our debenture and the interest-carrying costs facing the board, that \$10.3 million represents a cost in excess of 15 per cent of the 1989 total local tax requisition of \$68 million. In other words, of every dollar that we collected from the taxpayer, 15 cents went into carrying our debt rather than being applied to instructional matters or directly impacting on classroom instruction. It is 15 cents on each dollar and that was a significant tax increase.

Those of you who know the region and the composite municipalities—Markham, Richmond Hill, Newmarket—know the growth that is going on there. I do not want to bore you with that. I am sure that Don Cousens speaks of that eloquently. But we have a rather sophisticated population. We have a rather discerning and a rather demanding population. We are increasing taxes dramatically, not so much for purposes of expanding programs and services, but just to keep afloat and to carry our debt charges, and we are running into some significant problems there.

I think the information on page 6 is quite telling and supportive of our need for some kind of assistance by way of educational lot levy. If we were to do some projections, if we were to continue as at present, the implications for this board would be so dramatic that it is almost—well, it is more than frightening. It just would not be acceptable. I am sure that some kind of rebellion or revolt would happen throughout the region. If we project that total capital need of \$400 million over the next five years and think or presume that we are going to continue to levy an increasing share of those costs against the local ratepayer, we have another think coming.

There is some signficant information on page 7, along with some statistical analysis on that little graph, outlining estimated costs from 1989 to 1993. I draw your attention to the last paragraph there in terms of the local share translating to an annual debenture payment of approximately \$22 million and, suffice it to say, that is pretty awesome.

An immediate concern that we dealt with in previous briefs submitted to the minister is somewhat outlined on page 8. We have demonstrated these financial problems in our board and I hate to confess this but we willfully, deliberately and consciously approved a budget this year that is about a \$3.3-million deficit budget. Coupled with that was information or news that the ministry clearly wanted to cut back its level of funding of capital construction to the various boards and that we would have to assume more responsibility. So, we are going to shift the ratios from 75-25 to something like 60-40. We are having enough trouble at 75-25. I do not know how we would cope with 60-40.

We assume and we hope certainly that there will be no actual change in that kind of funding until such time as lot levy legislation is enacted and until such time as we can realistically access additional moneys, and if that lot levy is not enacted or the legislation is not enacted straight away and yet the new ground rules for grant allocation is affected, that is going to further jeopardize and complicate our problem. We talk about that on page 8.

The proposed legislation: We tried to summarize or highlight some of the potential benefits to boards such as ours in terms of the proposed legislation. Certainly, being very selfish and looking at our own ratepayers, it is our intention and hope to eliminate the local taxpayer's burden associated with capital costs for new pupil places.

We also believe that the lot levy initiative should help to accelerate the realization of necessary educational facilities in new growth areas. People still have difficulty in understanding why, when there is a significant subdivision that goes up, it takes so long to get a school in there. They ask us very good questions like: "You knew the houses were going in there. You knew families were coming in there. Why are there no schools there?"

That still continues and no matter how many times you give a reason, they are still not satisfied with the lack of schools, not only in new neighbourhoods, but as they point out to us, in neighbourhoods where they have spent considerable money to buy the particular houses.

We are looking for recovery of 100 per cent of net growth-related costs as a prime objective. Certainly we see lot levies as a potential answer to that objective.

On page 10, we think that the cost-recovery concept outlined in the proposed legislation speaks to approved costs rather than actual costs. The present Ministry of Education objectives of maintaining an approved cost to actual cost ratio of 90 per cent builds in a minimum 10 per cent cost impact that would not be addressed by the proposed lot levy. In this light, we are urging the ministry to ensure that approved cost figures used for excess of lot levy funds more closely reflect the actual cost of construction.

You are aware of the current situation where we realize something like 75 per cent of approved cost on our projects. That approved cost does not really resemble the actual costs in the field.

We are also supportive of inclusion of commercial and industrial development in the educational lot levy proposal. Simply put, it really does amortize the pain over a greater body, and hopefully, would minimize some of the impact on the private or residential home owner.

We are pleased with the government's proposal for accessing government financing vehicles that are aimed at reducing school board borrowing costs. We are looking for some further information in that area.

Further on page 11, it is hoped that the Ministry of Education allocations that define capital projects approved will closely respect the priority listing put forth by school boards and that approval procedures presently in place can be accelerated to accomplish the mutually desired end result, and that is the provision of necessary pupil spaces.

Availability and the related costs of land for school construction purposes is another area of concern to this board. I am sure that you have had various groups before you and that you have a good insight into not only the growth of York region, but the escalating land costs in York region. We are having some difficulty not only in identifying and accessing potential school sites, but really, as the former presenter suggested, this hiatus period is terribly problematic for us in trying to come to some resolution regarding land sites with the developers. We really hope that this hiatus period, if you will, is shortened to its briefest point.

I would like to just make a few comments on page 12. The school board jurisdiction for both the separate and the public school boards in York region spans identical boundaries. York region in its entirety could be labelled a growth area, with each of its nine municipalities expressing significant population growth. Both boards have met on numerous occasions over the

proposed lot levy legislation and are committed to successful implementation through mutual co-operation.

I know there were some questions yesterday about how we were going to do this. We assure you that if this legislation is enacted straight away, we will work out mechanisms to access this particular pool of money in a fair and equitable manner. We have no concern about reaching such a resolution with our coterminous board. I have already stated our position with the coalition group. We are part of that infamous group of eight, from which you have heard.

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In conclusion, I would simply like to stress that I hope we have demonstrated in the context of this brief report that we have some significant financial problems. Unless we access new sources of money, our financial problems are going to be exacerbated. There is a point that the public and the ratepayer cannot go beyond and I think we have pretty well reached that point. York region, often called the land of milk and honey, is not without its problems and I think we can no longer simply be told, as we have been told in the past, to go forth and create some creative solution to our problem. What we need is money to respond to the capital problems in our region and we are looking to this legislation to assist us in that regard.

Having said that, we would be happy to answer or try to answer any questions you might have of us.

The Chairman: That was very straightforward as well. We have questions from Mr Cousens, Mr Pelissero and Mr Jackson.

Mr Cousens: I am very pleased to see my friends from the York region Roman Catholic Separate School Board here, with Mr Virgilio, the chairman, and the director and the superintendent of business. I would like very much to side with you on your statements. The sense in which this is a very well run board is something I feel very proud of. I think they are frugal and careful, yet face mammoth problems in just how to manage that growth within the limited finances they have. The presentation that has been given by both the chairman and director parallel the thinking I am hearing through their principals, the teachers and the ratepayers, the frustration to have excellence and yet to do it within their means. They do a tremendous job, but there is a limit to what can be done.

The Chairman: So you are approving the bill, Mr Cousens.

 $\underline{\text{Mr Cousens}}\colon I$ am approving their presentation in the sense that I am very sympathetic to the needs they have. How we go about resolving it is another matter.

I have a couple of points I would like to make, though. The first has to do with whether you could help us understand how much you are paying for property for new schools right now as opposed to real market value, if you could give me an example.

This morning we had Fraser Nelson from Metrus Management who was making a presentation. His corporation will have bought some land from you at less than market value, which is probably typical of the kind of way in which York region systems have been able to buy property.

Could you give us a feel for what that is, because the next thing that is going to happen is, what would you pay for that property if you had to pay real value, because that is what is going to happen when Bill 20 goes in, the threat that comes through this, but then there is the differential that you are having to pay versus the 75 per cent funding you got from the province going down to 60? Could you just sort of tie into what you have been paying and will be paying, because there is another question following.

Mr Bobesich: Heretofore, we have had a policy identical with our coterminous board policy that really sets a level of costing for land far below current market value. We recognize that with the introduction of this initiative, those respective policies will be rendered history documents, that we will have to adjust our land acquisition costs accordingly. We do mention in this brief our recognition that some adjustments are going to have to be made in the hope that the ministry might in fact consider suggesting some capping in percentage terms so as to minimize escalated lot levies.

That is a roundabout answer to your question. I am not giving you specific dollar figures, Mr Cousens. Are you requesting specific dollars figures?

Mr Cousens: It would be helpful. Are you talking about 10 per cent of the real net value of property as what you have been paying or less than that?

Mr Bobesich: Heretofore, in the southern part of the region, Richmond Hill, Markham, Vaughan, we have been paying up to \$75,000 an acre. In the northern part of the region, we have been paying up to \$40,000 per acre. Those figures are being challenged, of course, substantially and we hear figures bandied about on a two-tier basis that range anywhere from \$600,000 in the south to \$350,000 in the north, so those are very concrete.

Mr Cousens: Okay. Your figures are close to what I thought. To what degree is the benefit you are going to get now through the lot levy really going to help you if in fact you are going to be paying market value for your properties? Are you going to be any better off then than you are now by virtue of what you are paying?

 $\underline{\mathsf{Mr}}$ Bobesich: Our calculations suggest that we are. John, do you want to respond to that?

Mr Sabo: The missing information of course is, how will the ministry then respond to that in funding? The present level of approvals is at 75 per cent. The maximum approved is 75 per cent of market value, and we believe of course that there would be a greater share and greater dollars paid for that land, obviously in pure dollars, but with the lot levy that should be covering it. If it does not, then we do not want something that is going to put us in a worse position. Right now, regardless, we have been having pressure regarding movement towards market value long prior to lot levy.

 $\underline{\text{Mr Cousens}}$: I know that too. The question is not going to go away and on the answer you have given I do not think you could give much of a better answer, but I think that the future will—

Mr Bobesich: There is an assumption there, Mr Cousens.

Mr Cousens: I realize your assumption,

 $\underline{\text{Mr Bobesich}}$: The assumption is that there will be a constant in terms of ministry assistance.

Mr Cousens: Okay. I do not want to believe anything at this point. My only other thing—

 $\underline{\text{Mr Jackson}}\colon I$ do not think you are either, but that is beside the point.

Mr Cousens: I would just like to ask you something, if I may. It came up this morning to my surprise. Metrus Management was talking about negotiations and discussions it would have been having with yourself, Mr Bobesich, on a large subdivision in which it has given property at a reduced rate for a school and then the remainder of the pieces that are going to be built could well have a lot levy attached to them. Therefore, they will be going back to the buyers of that property and will have to say, "Okay, you will be paying the difference."

This was mentioned this morning by Fraser Nelson. He also came back and stated that the York Region Roman Catholic Separate School Board was not prepared to get into the politics of freeing some people up from having to pay a lot levy when in fact the developer had given sufficient on that land. What will happen now is that the developer will not only have to have a lot levy paid on each of its properties, but he will also have given away school property at a very cheap rate. He is in double jeopardy because of the way he is being treated by yourselves. Have you any comment on your dealings with Metrus?

Mr Virgilio: Actually, we discussed that with them this morning. Fraser Nelson was with us early this morning. We like to call it double—troughing. We have tried in this transition period to alleviate that and it would be an either/or. Either they would pay the lower amount they have been giving us on the school sites and the land at say \$75,000 an acre, and if no lot levies were charged to them on that project, then that would be the end of it. If lot levies were charged to them, then they will be able to come back and get fair market value for the land they have put in. We are trying to be fair to them. We are not trying to leave them in a disfavoured position. So they would be compensated.

Mr Cousens: Mr Virgilio, with all due respect, he had left the committee with the feeling that they were really not being treated that fairly by the way in which this transaction was going to be completed. In fact, they have done the service on one side and they could well have the payment of lot levies on—

Mr Virgilio: I think the public board has already entered into an agreement, to which we are not privy, but we have heard it is basically allowing this to happen, an either/or situation.

Mr Cousens: This is not necessarily the right place, but the committee is looking at it and it is part of the confusion that is going to come out of this bill, especially when you have developers who are trying to do the right thing. All of us have to somehow work out some solutions to it. I do not like to see anyone having to pay two times for the same thing. They really do not have to.

Mr Bobesich: I am not specifically aware of this particular transaction that was referenced this morning by Fraser. We have had a series

of discussions, first of all, trying to identify the problem and understand the problem, and that has not been achieved yet, let alone identify some possible solutions to the problem, because there is a variety of opinions on what constitutes the problem. I am sure Mr Lipson, however, identified one key problem, which is, what is the point of departure? What is the launching point for retroactivity or nonretroactivity in terms of initiating the lot levy? Until key questions like that are cleared up, we are going to continue to have difficulties and arguments with the developers.

I have no personal recall of the specific land transaction that was referenced this morning. We have expressed a notion and a willingness to be fair, but we also have to be sensible and prudent. In light of what I have demonstrated in this brief relative to the taxpayer, we will in fact take full advantage of this legislation. I hope not to do so unfairly or double-jeopardize anybody in the process, but the transitional period is difficult.

1440

Mr Cousens: Just a final question.

 $\overline{\text{The Chairman}}\colon I$ really cannot because we only have two or three more minutes and I have a number of other questions.

Mr Pelissero: This morning we heard from Metrus that it had employed the firm of Price Waterhouse to do a study around the concept of leasing schools. Have you had any discussion or have you given any thought about that concept as opposed to, using your words, new sources of money, looking at maybe that age-old phrase of other innovative ways of providing the bricks and mortar?

Mr Bobesich: We have received a preliminary proposal from one group. We have looked at that proposal and are in the process of doing a more extensive analysis of that proposal. A few months ago the whole notion—when you are in desperate situations such as we are, every possibility is examined, I assure you. We do not cast anything aside as being impossible or impractical at the outset, so we are looking at that possibility.

I must say, however, based on cursory examination and some preliminary discussion with other coalition board members, that the offer is not as attractive as it may have appeared a few months ago. Notwithstanding that, we are examining that and we will be discussing it in greater detail with our trustees. It is an option that is still alive and on the table.

Mr Morin-Strom: I would like to ask about the levels of the lot levies that we might be looking at in growth areas such as your own area. I note in your presentation that your objective is to recover 100 per cent of the actual cost, net, of grants for school construction. My understanding of the government's position is it is not going to allow you to do that, that it will only be on the approved cost, not on the total actual cost, which can be substantially different.

Mr Bobesich: Yes.

<u>Mr Morin-Strom</u>: If you were given your position, which is 100 per cent of actual net of grants, what could we be looking at in terms of an estimated lot levy in York region on the education side?

<u>Mr Bobesich</u>: Nonempirically, with some preliminary calculations, we seem to be flirting around the \$5,000 mark. That is the first part of your question. However, I have a problem because of a significant unknown factor. Until such time as we come to grips with what the developers are actually going to be charging for land, it is pretty hard to come closer to that guesstimate of what the levy would be, so for the moment I would say around \$5,000.

Mr Sabo: If I could add, the land is one factor. On the point about the approved actual costs, obviously we do our part to lobby the Ministry of Education to have the approved costs equate to what is out there. That is the intent. It has always been our understanding that this legislation is to cover the cost of construction. Approved cost is only a mechanism to prevent Taj Mahal—type buildings as opposed to what is required.

We feel we are providing the basic schools and I will dare say that ministry officials will agree that the present capital grant plan is totally outdated and has to be revised. We are hoping that through effective lobbying, that approved cost will more closely reflect actual cost. We do everything we possibly can to reflect approved cost through extensive tendering, extensive revisions to tenders that would go out, and yet always, consistently, we are above what they label "approved costs," which is supposed to reflect close to actual cost.

Mr Morin-Strom: On the issue of approved costs, I know some of the Liberal members talked about gold-plating of schools and have suggested that what it means is putting tennis courts and swimming pools in the schools. Are you building your schools with tennis courts and swimming pools?

Mr Bobesich: We have tennis courts on a shared basis. We try to work out agreements with the municipalities so we have shared recreational facilities. We do not have a swimming pool in any of our schools. We do not have all—weather running tracks in any of our schools.

 $\underline{\mathsf{Mr \; Morin}\text{-}\mathsf{Strom}}\colon \mathsf{That}$ is not the difference between the approved costs.

Mr Bobesich: I think the reality is that the grant simply has not kept pace with the inflation in construction. The same can be said for the grant relative to furniture and equipment, which the member asked about yesterday. There is a grant for furniture and equipment, the problem is it will not buy enough furniture and equipment, so you have to go into your operating funds to buy the surplus of desks and chairs, period.

Mr Sabo: We had a very recent tender on a \$21-million high school and the tennis court, as a separate price, was \$50,000 additional. The approved cost on \$21 million was \$18 million, so there was a \$3-million shortfall. So if you take away \$50,000, that will be fine, just give us the balance of the \$3 million.

Mr Jackson: You have really done a superb job in presenting a concern I have had with respect to the growth in deficit financing for school boards. It is a 1990s phenomenon for school boards in this province and heretofore had not been normative practice. With all of us hearing about debt at provincial, federal and even municipal levels, this is one more level of government that can ill afford it.

You have given us the figure of six per cent. You have also described

the backlog growth demand. Since this bill deals with addressing capital needs that are created by new development, you are asking the committee to freeze-frame and look at all the growth needs, and you have illustrated that.

Have you done any projections on how much growth there will be in your debenture position for you to address your backlog growth even before this bill starts? The reason I ask that is because I have heard from some source—from an Ontario Municipal Board decision, I am told—that boards will be required not to exceed 20 per cent of their operating budget. When you consider 75 per cent of your budget is salaries, that does not give you a heck of a big cushion to be working with if you now have 90 per cent to 95 per cent of your budget locked in with contracts and bank charges.

Do you understand my area of concern? The government tells us it has no projections; it has done no costing. That scares me. Have you looked at that or have your financial people given that any consideration? I can see us in three or four years hitting that position very quickly.

 $\underline{\text{Mr Bobesich}}\colon I$ will take the top of that question, and then Mr Sabo is the financial expert.

We have looked at the longer-term implications in terms of projected growth and facility requirements and the implications of the debt being passed on to the ratepayer over the next five or 10 years, given the current circumstances and funding formulae. We speak to that in the report. I do not know to what extent we have addressed the backlog and I do not know to what extent we are going to have to live out the backlog through normal attrition or just accept it as a fact of life and live it out. Maybe you can get into a deeper analysis of that.

Mr Sabo: I would like to comment on a few points. First of all, you mentioned the 20 per cent. The 20 per cent through the OMB is for municipalities; it is 10 per cent for school boards which they are restricted to. You mentioned six per cent of the total operating budget. We tried to put in the brief that the six per cent is really irrelevant, as 100 per cent of that is on our local taxpayer. Really, 15 per cent of what we raise by our local taxpayer is being eaten up by debt. I just want to clarify that. You are probably aware of that already.

In terms of dealing with our backlog, that is a difficult one. We would probably define "backlog" as what we have in portable classrooms, 368 portables. Equating 20 to one for elementary and 50 to one for secondary, you are looking at close to eight elementary schools and one and a half secondary schools. That is another \$60 million that will be required just to cover that defined backlog.

Then on top of that you have the whole add—on of delay. With the allocations received to date, you need two years to complete. All these numbers are pointing to high, astronomical dollars which we can ill afford. We cannot afford what we have presently. With the allocations we have been receiving to date, if everything were cut off right now, we would still have a \$60—million debt load to carry, which is horrendous, and we are looking at carrying charges. In 15 years, if it stops, then it will be rosy, but for 15 years we are locked in. So we do have some difficulties.

I just wanted to point out that it is really important that while the six per cent is bandied about, it is really 100 per cent with respect to the local taxpayer. That is what the big problem is.

Mr Jackson: I know we have run out of time. I had more questions, but could I leave two questions for the committee or for the chairman to seek out? Can we get a legal confirmation of the point that has been raised about the 10 per cent maximum in debenturing? Could we get that from a documented source? Could we pursue that?

The Chairman: You were suggesting this was the result of an OMB decision?

Mr Jackson: It was municipally based. If it had implications for school boards, would it drive the 10 per cent margin to a 20 per cent threshold? I would like to have a legal opinion from any ministry on that point to discuss the implications of that.

The Chairman: Ministries will not give us legal opinions, but if we can find something that is already available, we will, either by way of an OMB decision or a ministry document of some sort.

<u>Mr Jackson</u>: Another way I ask the question is whether the minister can be asked if he was given any legal advice with respect to the point I have raised. On occasion, the minister, whether gracious or not, has given us the legal opinion. I have done that in several committees. Maybe that is not the practice in this committee, but I know it is done.

The Chairman: We will see what we can do. We will find out.

Mr Jackson: The final point is, can we clear up for the deputants their question with respect to the fact that funding levels in Ontario are now pegged at 60 per cent from 75 per cent? My understanding from the minister is that those are now the funding rates. There was something implicit in the question that they would not take effect until this legislation took effect.

 $\underline{\mbox{The Chairman}}\colon \mbox{\bf I}$ think Mr Reycraft clarified that on an earlier occasion, but I will let him do it again.

 $\underline{\mathsf{Mr}\ \mathsf{Haggerty}}\colon \mathsf{That}\ \mathsf{was}\ \mathsf{answered}\ \mathsf{here}\ \mathsf{a}\ \mathsf{couple}\ \mathsf{of}\ \mathsf{days}\ \mathsf{ago}\ \mathsf{by}\ \mathsf{ministry}\ \mathsf{staff}\colon$

Mr Reycraft: I think the information was communicated to school boards when the capital allocations were announced in April. The indication was that the average level of provincial funding for capital projects would be reduced to about 60 per cent. That, of course, varies from board to board as Mr Jackson knows very well.

Mr Jackson: I just wanted to clear that up for the deputants, if there was some doubt in their minds as to where we were going in that direction.

 $\underline{\text{Mr Bobesich}};$ That reduction in funding is complicating our problem and obviously we are kicking a little bit about it.

The Chairman: We do not envy you all of your problems, let me tell you that, but we can thank you for sharing them with us and they will be of assistance to us.

Mr Ferraro: We have a few of our own we could share with you.

Mr Bobesich: We have enough, thank you.

The Chairman: Our next presentation is from the the Halton public and separate school boards, both boards. Their brief is being distributed and along with it the relevant comments that Mr Sweeney made to the Association of Municipalities of Ontario, which have been the subject of some discussion.

Attending on behalf of the boards are Bob Williams, director of education for the public school board; Pat Hillhouse, chairman of the public school board; Cliff Byrnes, director of education for the separate school board; and Irene McCauley, vice—chairman of the separate school board. Welcome. Perhaps you could identify yourselves for purposes of Hansard.

HALTON ROMAN CATHOLIC SEPARATE SCHOOL BOARD HALTON BOARD OF EDUCATION

Mrs McCauley: I am pinch-hitting today for the chairman of our board, Donald Schrenk. I am Irene McCauley, vice-chairman and trustee, representing Halton Hills and the Halton Roman Catholic Separate School Board. To my left is our director of education, Cliff Byrnes. To my right is the chairman of the public school board of Halton, Pat Hillhouse, and to her right is her director of education, Bob Williams.

Thank you for allowing us to jointly present our brief to you today.

The Halton Board of Education and the Halton Roman Catholic Separate School Board are pleased that the needs of the boards in areas of significant growth have been in part recognized by the introduction of Bill 20.

We support the intent of this legislation. Our rationale is simple. New home construction places a large burden on local governments to provide infrastructure funding. Municipalities have had access to lot levies for years. If these levies are appropriate for municipalities, and we believe they are, then they are equally appropriate for school boards.

With present levels of provincial contribution to new school construction, the burden on the existing local tax base is very heavy. Halton will experience substantial residential development in the next two decades in the areas of Burlington, Oakville, Milton and Halton Hills. Bill 20 offers the promise of increased approvals for new school construction, with part of the local costs incurred being borne by development charges on both commercial and residential assessment. We believe that the development charges would be spread through the development process.

Ms Hillhouse: I will go on with our brief.

Obviously, we would prefer the province to pick up more of the cost of school construction or at least to keep up the percentage of the cost of new school construction that it heretofore has done, and you have had some discussion about that. However, recognizing the situation with both the federal and the provincial governments, we recognize this is somewhat unrealistic and we look on this legislation as an approach to meeting the serious needs in growth areas such as Halton.

We are encouraged that there should be more ministry funds available for renovation of existing buildings, which is a significant problem for most boards throughout the province. It has become a very serious concern, especially, I would say, in areas where school boards are not experiencing growth.

We support the optionality of the development charges wherein the decision would be left to the local boards. One deficit in the draft legislation that we see is the lack of autonomy over the expenditure of school development charges for school boards. The legislation talks about dealing evenly with municipalities and school boards, yet municipalities indeed have a lot more freedom in using the funds they accrue through development charges than is left to school boards in the proposed legislation.

We are encouraged that the introduction of the draft legislation has indeed already opened up discussions between developers and school boards about alternative and creative ways in which we might provide school places. We think this has been one of the most fortuitous aspects of this proposed legislation. In the meantime, failing those things coming to pass, we see lot levies as a way to help boards in growth areas quite considerably.

In summary, our schools serve a wide cross-section of our communities, from preschoolers to seniors, not just school-aged children but the community in many ways, in both recreational and educational pursuits. We want to be able to build new schools in the communities which they will serve, and approval of Bill 20 will help us to do this.

We would be happy to answer questions.

Mr Jackson: I am delighted to welcome my former colleague on the Halton Board of Education and other leaders of education in Halton.

I have a series of questions which I will try to quickly go through. The brief is very brief, and I suspect that is because it is a coterminous presentation. However, you do indicate there is a lack of autonomy over the expenditure of development charges for school boards and you use a municipal model.

Municipal models do not imply separate and public boards. We have had several presentations on a very delicate matter, which is the concern that there is no autonomy for the school boards. There is no real way of arbitrating, if, for example, the government of the day allocates more schools to one system than the other, and that access to the fund may, in one board's opinion, be imbalanced. Has either board come up with any suggestions or is this a point of disagreement between the boards?

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Ms Hillhouse: I would not say it is a point of disagreement. I would say there are some legitimate concerns, probably on behalf of both boards although I will only speak for my own, about the very problem you have raised. As a board we have not seen the joint trust account to be a major stumbling block, given certain parameters.

The calculations have to be very carefully done indeed to ensure that the cost of providing schools for the growth each of the boards would experience is taken care of in the amount of the levy that is settled. Indeed, fairness and perception of fairness in the distribution of those funds and the allocation of grants from the ministry has to follow.

Otherwise you are going to have a situation where coterminous boards, if this legislation goes through as it is written, are going to be in extreme disagreement and that extreme disagreement is going to go on right through the communities involved. I do not think any of us want to see any further issues, separate versus public, raised in terms of capital costs.

<u>Mr Jackson</u>: That is why I raised the point, because several boards have come to these committee hearings and specifically enunciated those concerns. Some have gone further, to make specific recommendations. I just wondered if it was an area in which you had any expressed opinions. Each of your parent associations does.

My second area of questioning has to do-

The Chairman: I can recall only one board that did that.

Mr Jackson: During questioning, I raised it with two subsequent boards and they responded to the concern. Even in the presentation from Peel, as you will recall, she had expressed concern about the capital allocation, that it was somewhat imbalanced. They were concerned because she said by definition that process was working, and yet I knew that in Peel there was considerable acrimony over what they considered to be an imbalance.

My second area of questioning has to do with this business of pent-up demand and putting boards in further deficit positions. I for one happen to believe that the purpose of this fund will be for debenturing, as a fund to pay the interest charges but not necessarily the capital charges, and that we are going to string out the mortgage debt on our schools and not debenture them in the short term. I happen to believe this because the funds, in and of themselves, will never be large enough to build all the necessary schools, even at the percentage which the government now has reduced it to.

If that is the case, what thought have you given or has either board done any analysis with respect to the amount of pent-up demand, unaddressed capital needs? Very quickly, I believe the government will see that it must utilize this fund in order to deal with current existing problems—school boards with 65,000 children in portables; that type of scenario must be addressed immediately—as opposed to building a fund for a potential school that may be required four or five years down the road. Could either of the boards comment on that concept? I know in the separate board case your pent-up demand is rather extreme.

Mr Byrnes: It is indeed. On the introduction of lot levies—again, Bob or the others will speak for themselves—the impact will not be felt in Halton in terms of the existing concerns and problems that we have in accommodation. We are indeed under considerable pressure by parents for the implementation of the allocation that we have got in terms of bridge finance. That is another issue.

Our concern is really the growth that we expect to experience in Halton over the next five to 10 years. We see Halton on a threshold. We are not experiencing the kind of growth that was in evidence by the York separate or Peel separate boards, but we see further and continuing development in north Oakville, which is frozen until there is some indication from the governments that be to give the necessary capital funds to expand that.

But when you look to Milton and what is happening there, once the services are provided we see massive development and growth there, and that will impact upon both boards and we have to respond to that. The growth of the southeast and southwest portions of Georgetown is considerable in the next three to five years; projections are that they will double the size of that town by the mid-1990s. That is the kind of thing we are faced with.

We see the introduction of lot levies as an opportunity to assist us in

providing accommodation. In terms of our board, our capital debt is running at very close to 11 per cent because of the demands on accommodation. In the last couple of years we have experienced about 12 to 15 per cent growth. That is right from junior kindergarten through grade 13, because of the developing secondary school system as well as the growth that is coming in now starting: Our entry at the elementary level has increased 30 per cent over last year. That is not including the JK; that is the kindergarten enrolment, which surprised all of us. I think it is significant that there has been a shift in the population. That is going to continue to have demands on our system, and I expect the board of education is going through the same exercise.

Our debt charges for 1989 were more than double those of 1988. We are not a large board. We have a budget, including all our capital requirements, that is very close to \$100 million. Our debt charges represent about six or seven mills of this year's levy. That has had a considerable impact on our board, because we are fixed in with the lot mill rate—you are familiar with that process—and with the push-back, the more costs of education to the local community just impacts further. Unless we find some relief we can turn to to assist us, I think this province is going to be greatly impacted, as you mentioned, Mr Jackson.

We do not see any other solution unless the government is prepared to provide more capital funds to assist us. It is a big problem.

Mr Williams: Very quickly, from our side, I think our situation in the public board is not nearly as extreme as it is with the separate board. With the approvals we got from the ministry this year for new construction, we anticipate our debt load will go from about a current three per cent of our budget on an annual basis to something around five per cent of our budget, with approvals we have for school building over the next three years.

We are not looking to this legislation to help us with the current problems. Obviously we would like some help there, but we are looking forward much more long-term with the anticipated growth we expect to see in areas like Milton and Halton Hills particularly, and north Oakville. We expect that is going to be a situation of development much the same as it has been in Peel, Durham and York. We are looking for what help we can get, and we believe the lot levies, sensibly administered, will in fact give us our end of the deal so that we can go ahead and build the schools we need.

Mr Ferraro: I thank the presenters for their brief, concise brief. I also want to comment that the fact it is a joint presentation from both boards says a lot about you as boards and certainly about the community. I think you should be commended for that.

My question is a bit of an ancillary one to the whole debate. In that you are a neighbour board of my riding, I would be quite interested in the response, so I will ask the question. Just to set the table, from the time of commitment of funds or approval from the provincial level for capital construction, essentially talking elementary school—through a number of delays in various sectors in my riding of Guelph, Wellington county, a school is just starting to be built that was approved two years ago. I am wondering if both representatives of boards would like to indicate the time element, approximately, it takes your respective boards?

Mr Williams: It depends on the individual case, but certainly there is a substantial period of time from the approval to the time we break ground on our buildings. There are a lot of factors built into that through the approval process.

Mr Ferraro: I do not want you to axe your neighbours. I should tell you that the provincial association said it should take six months to a year. What I am trying to get at, quite frankly, because it is a high element of cost, as I am sure you can appreciate, is: Are there internal problems in my constituency, or is it a combination of constituency and ministry approvals? I think the committee is anxious to know whether things should be approved on a ministry level.

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Mr Williams: Provided the approval is for the current year and you are going to use the current year to build the school, then, typically, six months to a year should be about right. What has happened with the approvals this year is that we now have them over a two— and three—year period, and a number of our boards want to get the building built now, the need is there right now, so we are looking at bridge financing and that can get complicated. That may be the problem. I am not familiar with the case in Wellington.

Mr Ferraro: Would that be the same case with your board?

 $\underline{\text{Mr Byrnes}}$: If I may respond as well for Halton separate, we have found the co-operation of the ministry in processing the approvals to be relatively good. That is with a little prodding, but when you go down and work with them, we found them to be very responsive.

I would agree with Bob that the length of time for the design, the tender and the building was probably within, say, a 12-month process, but occupation might be another three or four months down the road.

We have been fairly fortunate in Halton to be receiving capital allocations. We have received, as Bob mentioned, several allocations that have been spread over a three-year period. The issue now is that we are in a bind because of the debt charges we are currently experiencing in the capital debt of the board; we have a problem in bridge financing. So when we receive an allocation for 1992 for an elementary school, in effect we cannot access that until at least that time, so we would not begin our design stage until late into 1991. That could be the reason in, say, Wellington county why that is happening, but we find the ministry relatively co-operative.

Ms Hillhouse: If I could follow up, I would not like to leave the impression that we are in any way opposed to the forward commitment of funds, because even if indeed that gives us a dilemma in terms of bridge financing and community expectation, at least one can plan ahead; even if you do not get into the bridge financing, which our board is in a position to consider and is in fact doing on a number of projects, at least you can get the design and approval stage passed through and construct the school when the funds do become available. So forward planning is helpful.

Mr Ferraro: A supplementary, if I may: In that you are making a joint presentation, I am just curious. I understand the cloud surrounding the leasebacks and the negotiation with developers and so forth, but has there been any discussion between your boards about joint projects?

Mr Williams: At the director level.

Ms Hillhouse: And at the informal trustee level, but not-

 $\underline{\mathsf{Mr\ Ferraro}}\colon \mathtt{I}\ \mathsf{guess\ I}\ \mathsf{am}\ \mathsf{asking}\ \mathsf{for\ too\ much},\ \mathsf{but\ I}\ \mathsf{figured\ I}\ \mathsf{would}\ \mathsf{ask}.$

 $\underline{\text{Mr Williams}}$: We have agreed that we are going to get together and discuss it in the next while, actually.

Ms Hillhouse: It is something we have discussed informally at both levels, but not formally.

Mr Byrnes: Do not read much more into the joint presentation, please.

<u>Mr Mackenzie</u>: You have indicated that your problem is a little different than York and Peel and what they brought to us in that you appear to be more on the verge of a substantial step forward rather than into it any more than normally.

Ms Hillhouse: Not as bad as theirs, shall we say?

<u>Mr Mackenzie</u>: Have you done any assessment at all as to what you might be looking at? It may be a little more difficult in your situation, but what might be the figures of a lot levy on the education side?

Mr Williams: Rough ballpark: I think in our case the same as York region, in the \$5,000 range. I do not know about Cliff.

Ms Hillhouse: Sorry, Cliff. Just to clarify that: assuming 100 per cent of the local share being raised through the lot levy, and I think that is a discussion that we as a board still have to have in determining what share of that we would think would be appropriate through the lot levy.

 $\underline{\text{Mr Mackenzie}}$: With some clarification as to what is included in the capital cost?

Ms Hillhouse: Yes.

Mr Byrnes: If I may just add a comment, I would concur with what my colleague has said, but the amount of the lot levy would be reflective of what arrangements were made with the developer. It is conceivable that if some arrangement is made between the developer and the boards, something maybe relative to the designation of land, much like what happens in municipalities for park and recreation purposes, that could conceivably reduce the amount of the levy. But on the average, I would think it would not be less than what has been stated before by York.

Mr Cleary: I would like to congratulate the boards for working so well together for the good of the community. Rick has already touched on part of it. You said, "Draft legislation has already opened up discussions between boards and developers which may lead in the future to creative projects which provide school spaces." Do you want to comment any further on that?

Ms Hillhouse: We have had no formal discussions. We have a lot of informal discussions going on in a number of areas, you may feel, but no formal discussions with developers as yet. I know Peel and York and some of the more central boards indeed have had, but I believe that one of the really productive things that has come out of this draft legislation is the fact that it has given something of a shape to both the development industry and to school boards to indeed say that if the development industry wishes to avoid lot levies for the whole variety of reasons—valid, and perhaps, in my perception, not quite so valid—then we have to look at some alternatives.

We have had some informal discussion with an individual developer about

some creative ways that we might look at in meeting those needs. I think the legislation coming into place will only further that process. I think it is an essential component of that process, frankly.

Mrs McCauley: For the separate board, our business people have had some very brief, informal talks also with various developers.

The Chairman: Ladies and gentlemen, your whole presentation has been a breath of fresh air. I join with the other members of the committee in congratulating the way you are working together and the sense of optimism in your presentation. I do not know whether it is a legacy of Mr Jackson working with your boards or not; probably not, but in any event, we do thank you very much for your presentation.

We now have the Durham Board of Education. Ian Brown is the chairman of the Durham Board, and he is supported by Brian Cain, superintendent of business, and Pauline Laing, director of education. Welcome.

DURHAM BOARD OF EDUCATION

Mr Brown: Good afternoon, and thank you for the opportunity to talk with you this afternoon. As you indicated, Mr Chairman, accompanying me are Pauline Laing, our director of education and Brian Cain, our treasurer and superintendent of business with the board. Mr Cain is provincially recognized as having a good deal of expertise in the topic we are discussing this afternoon, so after a few introductory remarks I am going to turn the balance of the presentation over to Mr Cain.

At the outset, let me be clear that the Durham board is in favour of the proposed legislation, which will enable us to collect levies for the purpose of constructing new facilities, for the simple reason that we need the additional revenue.

As is the case with other school boards which have appeared before you, Durham is growing extremely rapidly by approximately 1,500 students a year. This September alone, we are opening three new schools which will accommodate 1,390 students. However, each of these three new schools is opening with four or five portables. In fact, we have added 40 portables to our schools this year, bringing the total to 410. Ten thousand of our 54,000 students are accommodated in portable classrooms. We cannot build schools fast enough to keep up with the rapid growth in our region.

With the reduction of ministry support for capital construction from 75 per cent to 60 per cent, we simply must have an alternative source of revenue. On this issue, we are in agreement with our coterminous board, the Durham Region Roman Catholic Separate School Board. We do not see the collection of lot levies as a short-term solution, as Mr Williams from the Halton Board of Education indicated a few minutes ago. As Mr Cain will outline, we anticipate the need for such additional revenue for a long time in the future.

I will turn it over now to Mr Cain.

Mr Cain: In commenting that the Durham board supports the concept of education development charges, we thought we would touch on about four areas from our perspective, to give rationale as to why we support that particular legislation.

In looking for additional dollars to accommodate the kind of growth we

are going through right now, as a board of education we really have—as any board has—two sources. One is additional provincial funding, and this board has worked hard to lobby our local MPPs as well as ministers throughout the government to try to solicit more moneys; they are not there. We are convinced now that the significant amount of money that has to come forth to meet the backlog as well as the future growth and development needs for new pupil places just cannot be matched by the existing sources at the provincial level.

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In terms of Durham's capital shortfall, we have attached an appendix A to your package and indicate to you what we have anticipated in the shortfall in our last four years. Below the dotted line is the just about \$250 million in our estimated capital forecast, predominantly new pupil growth. If we put that in perspective as to the amount of money that is going into the pot, Durham is saying it needs about 80 per cent of one of the year's allocations the province has set aside; and we are not the fastest-growing board within the entire province by any stretch.

The second source we had was to go back to the mill rate. The provincial government is withdrawing funding. We have just talked about the 75 per cent on average shifting to 60 per cent. That is fact; that has happened now on the last round of allocations. That is a significant jump in the local share of the approved cost of those projects.

The operating budgets of boards of education were significantly cut back. We have attached appendix B in the package for you. There are three pages to that, but really page 1 is the one we would ask you to take a look at; it is the new categories within the general legislative grants. Category 1 is a per pupil block grant, and it decreased by 1.1 per cent. We perpetually hear about six-per-cent-plus being in the pot; 86 per cent of our 1980 budget goes to that kind of category expenditure and the funding in that area decreased. The result is that that is back on the local mill rate.

We know that down the road there will continue to be changes. We know that pooling is in the making, or at least we are being told so, and ministry documents with the regulations suggest to us that the next two or three years will result in further changes for equitable distribution of existing funds.

Like other boards, we are under constant pressure for new programs and we have a high need of dollars for renovations. We have not talked about renovations under this legislation; we are talking new pupil places, but renovations are significant.

The Durham Board of Education is convinced there is a limit to the degree the local mill rate will go up, and it has to gain some form of relief. The only viable alternative we saw was a new source of revenue, and that was lot levies. They exist; they are growth—related; they match, very much so, the municipal scenario. There is a collection mechanism already in place; we do not need to duplicate that. We do believe that school capital needs vary in direct proportion to growth.

The advantage of this particular option from our perspective is that it removes the fight for capital dollars in the annual budget process between the need for new pupil places and the program needs that are vying constantly for those same dollars, needs such as a junior kindergarten, which our region does not have and has not been able to find the dollars for. It is a constant concern within the Durham board about the fight for capital dollars vying against program.

With regard to municipal concerns—and several municipalities have raised concerns for us, being in this particular arena—we would ask those municipalities to take a look at their annual budget process and incorporate all their growth needs: add the cost of sidewalks, curbs, street lights and water treatment plants to their annual budgets, then look at the problems they have just maintaining their existing facilities. That is exactly what school boards are vying for and fighting for now.

Another major advantage, we feel, is that it should accelerate projects, have more approvals, more dollars available, and we think it will free up dollars for capital renovations.

Philosophical shift: There are a lot of comments about moving away from—and yes we are, I suppose, moving away from—the universality of education: all people pay. We are not quite so sure we are moving that far afield from that philosophy. Capital costs are highly visible. We see them, we are talking about them now. We ask you to take a look at some of the hidden costs that are buried, which existing ratepayers pay for year after year on an ongoing basis with each wave of new growth that comes through.

I have identified six of them here. Really, you could take anything in a budget process that is going into the mix that represents costs for the following September to meet the new waves; that could even be the teaching staff. We compile our budgets, we put them all together and we distribute it to those ratepayers who are there at the time the last revised roll is struck. Inevitably, existing ratepayers will pick up the lion's share of it versus those who move into the community partway through the year.

Portables on appendix C: Our chairman has indicated to you the tremendous growth in that. In 1982, we had 38. We are up to 410 and climbing. That is predominantly at local cost. Very few of our portables are approved for grant purposes.

Transportation is one. The nature of the grant scheme is that it strikes a date; as of 31 October, what is in place on that date attracts grants. If you continue to add vehicles because you have a growth scenario coming at you throughout the course of the school year, no additional grants on those add—on vehicles take place until the following 1 September.

Alterations on existing space: This is continual in growth areas. Some school has to be the catchment for the growth to accommodate portables and so on. This necessitates upgrading of parking and washroom facilities to meet health bylaws and so on.

School shifts: We are not into, but we are contemplating on a secondary school.

Administration and planning time: It again gobbles the need from education issues. Your whole focus starts to gear to making room, accommodating the next wave of growth, and you have a number of costs that are there that continue to fall back predominantly on the existing ratepayers in any one year.

Bridge financing: Durham is estimating to spend \$1.7 million to accelerate the last round of projects approved in the three—year stint. We will be opening those schools in each case at least one year if not two years ahead of ministry financing. This is a significant cost that the existing local ratepayer has to pay.

Our argument on that point is that, yes, there are hidden costs. They are borne by existing ratepayers and they are done on a year-by-year basis. It makes the philosophical shift rather easy when we look at it in that context, and maybe it is not so far a philosophical shift. Maybe the lot levy concept to development charge balances the scale for the existing ratepayers.

Affordable housing has been another issue that we have heard that we are going to hurt about. We do not dispute that it is a societal concern. We do not dispute that we may add to the already high cost of housing if we are allowed to levy educational lot levies. It is a multidimensional problem. I do not think any one thing can be isolated as being the cause of it. We know that there are huge price increases based upon market demand. We know that the market includes speculators, both big and small, and some of those small speculators are us. Society is changing.

We list to you, and you have read some of the newspaper articles going back looking at the history every time there is a downturn—we did not buy houses at one time. We did not see them as a good investment. In the 1980s, we do see them as a good investment. I am sure many of us in this room know of individuals who are not on huge incomes who are flipping houses with long possession dates. Is that a dimension? Does it add to the cost? We think it does.

Education perspective on growth: We see it as a liability in its current context right now. Muncipalities may see it as a money maker that allows them to get a lot of things done and does not impact upon their existing programs. For us it does, very much so, and it drains from the other programs.

The key issue to the Durham Board of Education, although we again acknowledge the affordable housing problem, becomes affordable housing. Once you get that affordable house, you have got to be able to afford to maintain it. The last round of provincial increases and taxes in this province were predominantly double digit. In Durham they averaged about 14 per cent, and we had a significant backlash from the community.

We acknowledge an ageing population that does not have an ongoing vested interest in the schools and is on fixed incomes. There is a limit to societal demands for expanded programs: junior kindergarten, all—day senior kindergarten are examples. The provincial shift we know is on. We believe there is a belief at your level that we can afford to pay more and the local property tax bill can pay more, and we are under the impression that will continue. Add to that the high impact of growth and it starts to break the bank. There needs to be some relief.

Our recommendation then to this committee and to the provincial government is that we hope to see as soon as possible this legislation to give us a form of educational development charges.

One concern we have—we have raised others in our response to the green paper but we see those still in Bill 20—one that we would like to respond to is the timing of the initial withdrawals. This is one we hope you look at either in the regulations or the legislation.

You have heard about backlogs, and there are numerous ones. In the pure context of the capital forecast, you cannot take our capital forecast and just apply it and say we will calculate lot levies on those projects. Many of those projects are at varying stages of development. Of two schools that we now have just issued tender for and are going forward with, one of them is virtually

totally developed, so the building permit stage is gone. To include those in our lot levy concept and assume that we can draw from an account from a source of revenue that does not exist for that project ultimately dooms us to run out of money before we complete approved projects, and we do not want to see that happening.

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We think there are some advantages if we seriously look at it. We think it would phase it in. We clearly are trying to match revenues from development charges and expenditures on schools and facilities needed within those developing areas. We think that is critical. We think by doing this, it would allow a phase—in over two or three years, so that the housing market would not be hit with huge lot levies all at once, but it may be \$3,000 this year, \$4,000 next year, \$5,000 the year after and so on.

We clearly do not want to see this account ever exhausted before we complete all the projects that it was collected to build. If it does, we will never answer that question, either on the administrative level, as a treasurer speaking, or on the political level to our ratepayers. So we would ask you to seriously consider, either through the legislation or the regulations, some qualifying factor on the initial development charges to exclude those projects and catchment areas that are already significantly developed and past the building permit stage.

Our chairman commented earlier in his presentation that appendix D is attached to show you the growth. Durham is not in this for the short haul. Quite the contrary, we think there is a backlog of projects for the next two or three years that probably, and we believe, should be funded under the existing schemes, that is, through the local mill rate.

We are projecting over about 20 years, from these numbers from the Ministry of Treasury and Economics, something like 33,000 students. Our accommodation needs will be significant. We see educational development charges as a long-term partial solution to the problem that we are faced with with capital growth.

Mr Cousens: I would like to ask Mr Cain, what are you paying for school properties now when you go to buy them? Are you paying less than market value or are you paying market value?

Mr Cain: Slightly less than market value. We did have some fairly good deals on options, but we are usually signing options at least five years in advance just to lock in the land. Our current options that we are signing and those we are dealing with are probably between 75 and 100 per cent of market value. We are running very close to it, but we are still gaining property below market value, no question.

Mr Cousens: So you are not going to have the same problem that York region boards will have when they are paying close to 10 per cent of market value for their properties from developers?

Mr Cain: Not at all. We know that we are going to pay higher prices and we accept that and see that as a fairer treatment on our purchases from developers, to pay market value, particularly where four or five developers or more than one developer is working in an area and one gets hit and has to give land for less than market value.

Mr Cousens: We had one presentation this morning where someone had the nerve to say it, but it was not really accusing boards of being too gilded in the way they are going about things. I know Karl Morin-Strom raised the question earlier. To what degree would you say that you are a little bit plush in the way you do things in the board? What size acres would you buy? Would you buy seven acres or larger? Do you build one-storey or two-storey school buildings? How would you describe your board in its frugality in the spending of public money?

Mr Cain: Durham is noted to be frugal with its money. We have been told that we are cheap on occasions. Durham has locked in for a number of years on five—acre sites and I can tell you we are hurting. When we start adding day care to that and siphoning off half or three quarters of an acre, our playgrounds are hurting. So we have five—acre sites, two—storey buildings predominantly, prototype schools that allow us to bring schools on stream quickly. Dealing with the same architects saves us \$30,000 to \$50,000 in architects' fees each time.

We have cut a lot of corners to stay within the ministry capital grant plan, but likewise we have not as yet been able to bring projects within that dollar value. We think we are doing a good job of trying to—

Mr Cousens: I have heard you are too. I guess it all boils down to money and you are prepared to do anything to get the money now. So you will support the lot levy if it will help pay the bills?

Mr Cain: Yes, it will.

Mr Mackenzie: In a little more philosophical vein, these hearings, if nothing else, have driven home to me the problems we have in high-growth areas and the tremendous problem we have in terms of the need for schools and the capital costs involved. I am disturbed at how quickly we seem to be rejecting, and rationalizing as we reject it, the whole principle of universality and broader public responsibility for paying for the costs of education and doing it with a lot levy as being the only mechanism. In itself it is not a fair tax, is not a progressive tax in particular, and has no relationship to your ability to pay, and yet it seems to be the only answer we have.

We need an answer, obviously, but there is something scary about the rapidity with which people, who in many cases have been tired, I think, of the social responsibility in society today, are saying: "Hey, forget all your previous principles and all your concerns, maybe it's not so bad after all," just as I think you did yourself, Mr Cain, in the presentation. There is something about it that just scares the devil out of me.

Mr Cain: I guess that was part of the thrust we wanted to get at on the philosophy issue. When you start to add up the number of costs that existing ratepayers are picking up on an ongoing basis to make ready for the next wave of growth—

 $\underline{\text{Mr Mackenzie}}\colon \text{With an unfair system as it is, so we are going to add to it.}$

Mr Cain: With an unfair system as it is, true. I guess our argument then, when we start looking at that—and you need to be in the midst of that growth. I am sure York public and York separate could present an even better picture of the kinds of upfront costs they are incurring to get ready before

those people arrive. There are significant costs in the planning, administration and so on. We think there is already a disproportionate balance to existing ratepayers. Maybe this will help balance that scale a little bit.

 $\underline{\text{Mr Mackenzie}}\colon You \text{ have come to the conclusion that this is the only way to go?}$

Mr Cain: We have not found a better way in our studies, and we have certainly spent a great deal of time with the Association of Large School Boards in Ontario in developing its brief, looking at what else you can do, how can you tie your tail to this?

It is a very volatile market, so it is one of the disadvantages of development, no question. Certainly if the development takes off and it generates revenue, it matches our needs for schools. If it drops right off, the revenue declines. The relationship is there. There are a number of major advantages we see to tying our tail to this particular format.

Mr Reycraft: I have read your second recommendation and I listened to your explanation of it. I am not clear on the problem the recommendation is designed to address and I wonder if I could invite you to expand on that.

Mr Cain: This is probably the only area of initial disagreement we have had with our coterminous board. Staff have met on a number of occasions and worked our way through this and do not see a major problem, although we would both like changes.

Separate school boards are running some significant financial problems, and we acknowledge that. To them, they would like to draw down the first dollar to meet today's project. That tends to be their position, and in their financial context I can understand that position. They are looking for immediate relief.

From the Durham Board of Education's context, where we have made concerted efforts not to debenture, to stay away from long-term debt, we have tried to pay as we go, a conscious board decision for many, many years, we do not see it in that context. We believe the long-term problems are greater.

In our capital forecast there is no question there is a backlog of projects. As you go around, one of the reasons that we have 410 portables is that we are temporarily accommodating people. That means the development that generated those people is there but the hard-core new school place is not. Therefore, to pick up our five-year capital forecast, as is tentatively shown in the legislation, and I have not seen anything in the regulations that suggest it would be addressed differently, if you work with just those projects that are listed in the forecast, you are ignoring the point of residential development that maybe has taken place around any one of those school needs.

We do have a school that I think I indicated we have just awarded tender on that virtually is 100 per cent developed and all of those students are accommodated in portables. If we include that school, that catchment area will not generate money to go towards it. Therefore, we argue that we had better carry on with the old way, levy through the mill rate and not generate an automatic deficit at some time down the road.

Mr Reycraft: My interpretation of the legislation and the regulations is that development charges can only be applied to development

that creates a capital need after the date of passage of the bill and that the funds in a development charge cannot be applied to capital needs that have already been created. Is that different from your interpretation?

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Mr Cain: I am sorry. I have not seen that, I have not picked that specifically out of the bill itself. The bill talks about growth-related needs, but nowhere in the legislation, unless I have missed it, or in the regulations does it talk about when you trigger those growth-related—the schools and the projects in our capital forecast we can justify as growth-related. The triggering of when did that growth take place has not been addressed. It is past growth.

We have, for a long time, had an allocation and approval of school projects that school boards would tend to refer to as the "white of the eyes" decision. If the students are there and we can see them, the answer is, "Yes, you can have your school," as long as that concept is there. It has tended to be very much that way in the past, probably due to the shortness of capital funding.

We are raising a concern. From our perspective, we would rather continue and pay for the next two or three years of projects, if necessary, to ensure that the account has money for the long haul in the future. When you consider again that your development has peaks and valleys, even though we project 20 years plus of growth, we may well at any time during that 20 years have a tremendous slowdown, a backlog of schools. The revenue ceases and now we have two more schools that have to be built and the account is empty. We cannot answer that 10 years from now.

<u>Mr Jackson</u>: This is the first occasion I have had publicly to commend Pauline Laing as the new director of education, although I have written to her personally. She is a graduate of the Halton system. Again, excellence does come from Halton. We deeply miss you and I know Durham is all the better for having you. It is good to see you again.

I want to thank you for an excellent brief and I want to thank you again for devoting much of your attention to your recommendation 2, which Mr Reycraft has raised. I have a fairly sceptical view of the legislation when we get past the philosophical arguments, and I think we can set those aside very quickly, about whether it hurts affordability of housing and all those other issues.

We have a majority government situation. This is going to become the law. How is it going to work? I think you are to be commended, even though government members may be having some difficulty understanding this concept of who gets access to the fund first and for what purposes.

Mr Cousens: Total inability.

Mr Jackson: No, it is not a total inability. It is probably wise for them to think in positive terms about the legislation. Quite frankly, if I wanted to use this legislation to my individual board's advantage, I would in fact start deficit-financing my capital projects, which the minister has clearly indicated encouraging boards to do, to create pressure on your debentured position so that the only way out for you is to seek relief from the fund.

I am not going to suggest that some boards have already figured that out and that is why they are exceeding their operating budgets and are also driving up their debenture costs. But I am asking those questions for a specific reason, because I am starting to see a pattern. You are appealing to us in a very noble way and saying: "Please protect us. We're willing to go and bite the bullet to make sure the fund fills up so that it can be responsibly administered." It cannot be responsibly administered, because it cannot properly be arbitrated on the basis of your dollars going in and your dollars going out. That is your first problem.

Your second problem is the political reality of one board versus the coterminous board being in a different financial position to meet equal pressures for growth. I know you understand all of this very terribly technical question I have asked you. It is a very serious part of the concern, because public boards do not want to be in a position to wake up five years from now to find out that they are seriously behind in terms of capital projects because they have been responsibly not getting into excessive deficit financing, debenture financing.

You did not address the issue of arbitrating. This is an "All for one and one for all," like the Halton board approach, that perhaps there are some protections and we had better get the rules of this mutual fund. We do in a marriage today, and everybody advises people to do that. It seems to me that if we are going to have a workable marriage on educational funding, we should also have an agreement in terms of how that fund is operated.

Mr Brown: It would be our preference that we have separate accounts. That was our position when we responded to the green paper a year and a half ago. However, since that issue seems unchanged in the draft regulations, we have decided that we can live with a joint account. It would still be our preference to have separate accounts and draw on a need basis.

Mr Cain: We have no control over the drawdown. We acknowledge that and that has been a major concern for public boards when we entered into this, because two years ago we did look at a major allocation to the separate boards, and very little to the public. Last year was a little closer provincially to a 50-50 split, but we argue that is not a fair split, given the populations in the two camps.

We have no control over that at all. It does not relieve, I think, some valid comments from ministry staff in developing that which talk about possible shifts in where those project needs are. We are talking very much on a philosophical basis of not having public school ratepayers build separate schools. There is no question that has been in the back of all of our minds, but from the ministry's perspective, and in fairness to it, I think it has presented very good cases to talk about growth, and where that growth goes to the two parties has to be justified through the capital forecast and it will be then those projects will be approved.

I am not suggesting we are totally there. As our chairman has indicated, we made objectives to the green paper and we are going forth with that. We still think lot levies have merit. If there are pitfalls in it, we can make it work. We have a good relationship with our separate school board. This is one particular area that we probably could come to a major impasse on.

Mr Jackson: Thank you very much.

The Chairman: Thank you very much for your presentation. It has been very helpful to us.

Our last presentation, and the last presentation we will be hearing before we start deliberations, is the Toronto Board of Education. We have with us the chairman of the board, Antonio Silipo, accompanied by Ann Vanstone and Bruce Snell. Welcome.

Mr Silipo: Thank you.

The Chairman: Your brief is being distributed right now. Perhaps you can lead us through it and then entertain questions.

TORONTO BOARD OF EDUCATION

Mr Silipo: Thank you, Mr Chairman and members of the committee, for the opportunity to make a presentation before the committee on Bill 20. You have introduced the other two people who are with me so I will not bother doing that. I will just indicate that I will be going through the initial part of the presentation and trustee Vanstone will pick up the remaining part. The three of us will certainly be available to answer questions as we go through.

I want to say that as members of the committee know, this legislation is an attempt to deal with the escalating need for capital funding for the schools of the province, both for new population growth and for the renewal of existing buildings. Our board is aware that there has been an increase in capital funding by the government in recent years, but we are also convinced that this additional support is in no way keeping pace with the dramatic increase in school boards' needs.

Certainly, in Toronto, we are painfully aware that very little of the province's capital money finds its way to Metropolitan Toronto, let alone our own local school board because of the filtering process that happens there.

In February 1989, our board responded to the interministerial committee on financing growth-related capital needs. Earlier today, in fact less than an hour ago, our board considered a report on Bill 20. Both of these documents are appended to our submission for your consideration.

We are here today to inform you that our board's position on this matter has not changed. We believe it is inappropriate to fund capital needs through a lot levy system as prescribed in Bill 20, and we are opposed to the legislation for the following reasons.

Before I get into some of those reasons, I want to indicate that I realize that yesterday you had a presentation from the Metropolitan Separate School Board in which it indicated four basic principles, as a result of which it was against the legislation. It may surprise you to hear, or it may not surprise you to hear, that we indeed find that we can certainly support those basic principles. It is not often that public boards and separate school boards agree in Metropolitan Toronto, but this is an issue on which we do in fact agree.

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In terms of some of the particular reasons, we believe that the levying of a uniform municipal development charge is a form of lump sum tax. This kind of levy is not based at all on the ability—to—pay principle but is based instead on the benefits—received principle. Our position is that this benefits—received principle is inappropriate to the financing of education, because education is a service that is there for the benefit of all society.

We believe also that provincial funding support for school capital projects should remain at the level of 75 per cent on average, not drop to 60 per cent. I indicated earlier that even under the present funding, we get very little in the way of capital funds. If it drops to 60 per cent, we are liable to see even less than that.

We believe also that if the 60 per cent average rate of funding continues, school boards will be forced to impose local development charges to provide the increased local share for school capital projects. It is this pressure that would be placed on local boards that we think is unfair and not appropriate.

We believe fundamentally that the development charges will inevitably be passed on to the new home buyer, the new tenant, the ordinary citizen, at a time when the municipal taxpayer is bearing an increasing and intolerable portion of the cost of education, particularly in Metropolitan Toronto. As I am sure members of the committee are aware, we are in a situation this year where the province is contributing basically nothing to the operating funds required to run schools in Metropolitan Toronto.

I will turn to Mrs Vanstone to continue.

<u>Mrs Vanstone</u>: We do not believe that the imposition of development charges will be helpful to the provincial government's thrust to provide more affordable housing, both nonprofit and private, particularly in the Metropolitan Toronto area. It is our contention that even if nonprofit housing were to be exempted, this legislation would be a disincentive for municipalities to provide nonprofit or subsidized housing in any form.

We believe that in the situation in Metropolitan Toronto, because the legislation applies only to the Metropolitan Toronto School Board, the Toronto Board of Education may be forced to be party to the imposition of development charges even though it is opposed to this method of financing school capital projects.

In all situations, I think the very real problem of agreement between the coterminous boards is difficult, but in Metropolitan Toronto it is really exacerbated by the fact of the federation of public boards on one side and the Metropolitan Separate School Board on the other.

For all these reasons then, we are opposed to the concept of development charges and we believe that if this legislation is passed, our school board, like many others, may well be forced to become an unwilling, reluctant participant.

Mr Silipo: That is our presentation.

The Chairman: Thank you very much. Mr Jackson and Mr Cousens have questions.

Mr Jackson: My question has to deal with the two-year-old agreement between the public and separate boards. You will recall that. I remember attending a press conference when all three of you were there. There was a lot of capital allocation at that time, announced by the government as part of the sweetening of the pot to form a settlement. Is it your understanding that your grant rate has dropped on some of those projects as a result of the government's announcement to reduce the grant from 75 per cent to 60 per cent, or have all your projects been committed and funded and therefore you are not affected? Do you have a ruling on that?

Mrs Vanstone: We have not had a ruling yet. I guess it would be a question that I would not particularly want to ask, going under the assumption that there was a binding agreement at the time. I cannot see that there could be a retroactive sort of reduction of the grant rate. Our grant rate, as you know, or you may not know, in the public boards in Metropolitan Toronto is under 50 per cent. We do not get grants anyhow, so it is all sort of irrelevant.

We would not assume, unless I hear something different from staff, that anything would interfere with that deal, which was sort of signed in blood.

Mr Jackson: This has been a cause of concern for me, particularly with the Metro arbitration and the Hamilton-Wentworth arbitration, two that had the government as a participant. The agreement was signed and the funding formula was put in place.

I guess my request to you, Mr Chairman, would be to get a written opinion from the ministry as to where those boards and their capital projects sit with respect to the funding reduction if the government's intention is to honour that.

Failing that, it is possible for this committee to entertain either a recommendation to the government or an amendment to the legislation which would indicate that those projects be grandfathered under the old funding formula since they were honourable agreements struck by the Liberal government of this province.

I can understand their unwillingness to ask the question. They may get the answer they are not looking for, but perhaps:—

Mrs Vanstone: No, I would be happy, and I am sure you would, to have the question asked. I must say it never crossed my mind.

Mr Jackson: It was the first thing that occurred to me when I saw the funding shift, because both Hamilton and Toronto had extensive, far-reaching signoff provisions under Bill 30 and extensive capital—for want of a better word—horse-trading where the government sat at the table, which it normally does not do; it only did it in those two cases. I am particularly concerned that the taxpayers be protected in those regions with respect to a promise they got from the government, with tough bargaining and negotiating and compromises from both the separate and the public boards. You cannot separate this Bill 20 from the reality of what went on in your negotiations and the fact that now the grant rate has been reduced.

Mrs Vanstone: We would certainly be very grateful if this committee were to make such a recommendation and I would think the question you have raised is one that the Metro board would want to look into almost instantly.

Mr Jackson: The separate board would be very much interested in it as well, as would the boards that were part of the Hamilton acrimony, because that involved site purchases, potential and new school construction, and for them now to be told, especially in your specific case, where the pool of funds—unless industrial-commercial goes in, you are not going to generate a lot of money, because the potential for you in Toronto of the lot levy portion on a completely developed area is not as great as it is, for example, in my area of Halton, where we have got thousands of farmers' fields waiting to be developed over the next 20 years. You are not particularly well positioned to benefit from this legislation to boot.

The Chairman: We will get you a statement on that. As to whether or not the committee is going to make any recommendations, we have not discussed it, obviously, at this stage.

Mrs Vanstone: I think we would want to say that we would be very supportive of the committee making such a recommendation.

Mr Morin-Strom: Thank you very much for your presentation. In terms of the presentations we have heard from school boards, we have heard largely from the group of eight school boards from the growing regions right around Metro Toronto, not within Metro Toronto itself but in the greater Toronto area, and those eight, of course, have really been the ones that worked with the government in terms of this proposal.

From other school boards that we have heard from there has been no indication at all of support for this legislation. However, we have not heard from very many from outside. We have heard from yourselves and the separate school board from Toronto and we have heard from Waterloo, but many areas of the province are not being represented here.

I wonder if you could indicate whether you have heard any indication that there is general support or opposition to this bill, or is it felt that the bill is not relevant to other areas of the province? Do you know if the group of eight is really an isolated group with a particular problem, so that this bill is meant only for this particular area?

Mrs Vanstone: I think yesterday or the day before yesterday you had a presentation from the Ontario Public School Boards' Association to this committee and I think the feeling across the province was very well reflected in that submission.

The OPSBA could not come down hard on either side of the issue because in fact the boards have not come to a single position. My dealing with other boards from all regions of the province, and this goes back to about a year ago, in discussions with the Ontario Public School Boards' Association, was that it was quite different all over the place. In general, what you say is the high—growth areas, especially those in the Golden Horseshoe, are desperate. We heard this from the Durham board. They really do not like this, but there really is not anywhere else they can go. They have to have schools for this growing population.

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Some of the northern boards do not seem to have a great problem with it, in personal discussion with people from those boards, but in general the push was coming from the boards immediately around the Golden Horseshoe. A lot of boards are not having a real problem with it. The boards that do not have a lot of trouble getting capital grants from the province are just sort of not paying a lot of attention to it because they assume that is going to go on. I think it may be a situation something like the Bill 30 stuff, but the penny did not drop until the transfer of property issue came up. The penny may not drop for a lot of boards until their grant rate—they may be at a grant rate of 90 per cent somewhere—is cut back and they have to go to their own taxpayers for that. So it may be a question of the penny not dropping in some instances. I really do not know.

Mr Silipo: I think that is the essential problem, which Mrs Vanstone just hit upon in the latter part of her response. That is, there is another

aspect to this. If what the government is doing with this legislation is saying to local school boards, "You now have this ability to raise money in this way to help meet capital project costs," then presumably it will also be saying, "Because you now have this ability to do that, we are not going to be giving you the kind of money that we were giving you."

In a situation like ours, where you are not giving us very much, one could say, "It doesn't really make any difference." On the other hand, it continues to just add more downward pressure. It is just part of the pattern that we are seeing of the province continuing to just push the costs of education back onto the property taxpayers and onto the local taxpayers.

Mr Morin—Strom: I wonder if you know whether it is possible under this legislation to impose a development charge solely on the commercial and industrial community and exempt the residential community. I would think in a city like Toronto you would particularly have a strong argument that growth and development in your community are not population—based. I do not believe there are any plans for major population growth in the city of Toronto, but obviously in terms of development and pressures going on in a lot of the communities around Toronto, it is coming from the strength of the marketplace and the jobs that are being created in Toronto.

There might be an argument that commercial and industrial development in Toronto may as well provide a way of making this at least somewhat fair in terms of some kind of tax equity by imposing it on the commercial—industrial base, but completely exempting the residential base.

<u>Mr Snell</u>: Our interpretation of the material we read in the bill and the regulations makes us think that you have a choice between residential, period, or residential and commercial, the other option.

Mrs Vanstone: No one does.

 $\underline{\mathsf{Mr}\ \mathsf{Snell}}\colon \mathsf{No}\,.$ But then there are some complexities in the regulations.

Ms Dalzell: The intention is that where a school board imposes a levy, it imposes that levy on both residential and commercial. There is no option in that respect. The intention would be, too, that you could not impose strictly on commercial if you were not imposing a residential charge.

Mr Snell: That is right. That was our interpretation.

Mr Morin-Strom: Can that calculation base be different?

Ms Dalzell: Absolutely.

Mr Morin-Strom: So the residential charge could be a nominal charge.

<u>Ms Dalzell</u>: Absolutely. You can use the commercial charge to reduce your total capital construction costs, or those that are projected, up to a maximum of 40 per cent. The rest has to be levied upon residential development.

Mr Morin-Strom: Are you saying a maximum of 40 per cent can come from commercial?

Ms Dalzell: That is right. When you are calculating your charge in the instance, you can say: "We have a total construction cost of so much. We

can discount the residential levy by up to 40 per cent by imposing a charge on commercial."

The Chairman: Can you pick and choose your commercial?

Ms Dalzell: No, it is commercial development, and commercial development is industrial as well, as it is defined in the act.

The Chairman: But you can pick and choose to some extent your residential.

Ms Dalzell: You can differentiate your levy, different housing types. That is right. You can exempt areas of your jurisdiction as well.

Mr Snell: If I may, the ability of a board, by bylaw, to differentiate housing types, while it appears attractive on the surface, in dealing with the developer, the developer still is bearing a charge on the development, and no municipality or school board will have any control over the way the developer deals with that charge, in the way the development is constructed, the kind of amenities that are in the parts of the development that are not subjected to the same development charges as other parts or, in fact, in the kind of scope and size of the development as a total.

There is a real trap here in terms of how municipalities and school boards would deal with this development charge if it were to be put in a bylaw, that is, the other end, the private sector end, reacting to that development charge. In terms of affordable or nonprofit housing, there are some very serious implications. How a developer will deal with any aspect of a mixed—use housing development in a large urban area is the perfect trap, because how you save costs on your development—because the cost of doing business includes a cost with the government—is something I do not think we can predict.

I think the concern of the city of Toronto, because of the nature of our mixed—use developments in a large metropolitan area, is an extremely serious concern. Our experience with developers in the city of Toronto would not lead one to believe that good faith is necessarily a part of all bargaining. I think the government needs to understand that there is a spinoff to this kind of development charge.

That is one of the fundamental reasons why both the chairman of the board and the chair of our education finance committee are saying, "Philosophically we are opposed, because philosophically there is a consequence to passing a bylaw for development charges," which, by the way, as we pointed out in our brief, could be an action that could be taken by a government body other than us, and we would need to participate. If the Metropolitan Toronto School Board, by a majority vote, decided to implement a bylaw, we would be unwilling partners.

Mr Polsinelli: I would like to thank the Toronto Board of Education for its presentation. I think I can understand a philosophical difference of opinion as to whether education lot levies should be implemented.

I just want to make one brief observation. Appended to your presentation you have the Toronto Board of Education's response to the interministerial committee on the green paper, and I note with a bit of surprise that your last recommendation there was, "We don't agree with this proposal, but should the government enact this legislation, then we would require a number of

guarantees." In looking at the guarantees to the bill that you require and examining those that we have before us, the interministerial committee has substantially agreed with you and enacted those guarantees in the existing legislation.

 $\underline{\text{Mr Silipo}}$: Yes, and we cannot quibble with that. We still retain our original position in terms of the philosophy.

Mr Polsinelli: It was just an observation.

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Mr Cousens: Thank you, Mr Chairman. I think it takes a lot of courage and energy for the Toronto Board of Education to take the trip to Queen's Park, make a presentation which is diametrically opposed to government policy by virtue of the direction of Bill 20 and still have the courage to put it on paper knowing that it is probably not going to be heeded, followed up or anything else, and at the same time have the statement in there at the end that says that in the end we have at least done our best and may become "unwilling, reluctant participants."

I want to compliment them for playing out the process. The tragedy I have is that there will not be any more than one—tenth of one per cent of the people of the city of Toronto who will know you were here or understand what you are fighting for or the principles that you have enunciated in this document. So I want to ask you another question about politics. In as much as—

Mr Mackenzie: Do not dwell on that now.

. <u>Mr Cousens</u>: I just want to ask something. What are you doing so that the people in Toronto are not just going to be hoodwinked by Bill 20 when it finally comes in and you come along and you have to do it? They are not going to know about it before. Maybe they can do some of the lobbying that you are not going to be successful at to get these guys to listen up and do something about the bill, because right now you have done a super job.

Interjection.

Mr Cousens: That is the problem. You get one or two who make a few statements and you get them coming in here telling the truth and then you guys and a lot of others are not going to be paying attention to it. What are you doing to get back to the people of Toronto so that they can get wound up the way I have?

Mr Reycraft: Careful, they are watching from Markham.

Mr Cousens: At this point, I am with Toronto. What are you doing? You have done a good job.

Mr Silipo: First, I would say that the situation of our being in a position where we diametrically disagree with the provincial government is not something that is uncommon to us. We have gotten used to that.

Mr Polsinelli: Dating back many years.

Mr Silipo: I was just going to say whether in fact it was this government or the previous government.

Mr Cousens: You did not need to say that. You were doing fine.

Mr Silipo: I will say specifically to the question that one of the things we are in the process of doing is certainly making our public aware of what is happening, not just on the issue of Bill 20 but in fact on the overall shift of costs of education from the provincial level to the local level. I would welcome you to come in or walk into our board building. One of the things that you will see standing at the top of the front door is a graph which shows very clearly the decline in provincial funding for education as it affects Metropolitan Toronto. It looks something like this except it is about six feet by six feet, or something like that.

Mr Polsinelli: It is still in blue.

Mr Silipo: It is still in blue.

Mr Jackson: Do us a favour and do the last four years in red because that is the way Toronto works.

Mrs Vanstone: We did think about it.

Mr Silipo: We could have, but we did want to try to save money in putting it together. But more seriously, we are very clearly in a number of ways bringing this to the public's attention through a variety of local initiatives that our trustees are involved in—newsletters, etc—constant information going out.

We are preparing an overall presentation to make to the select committee on education later in September in which we hope to bring together some of the programmatic decisions that need to be made and that in fact have been made by this government, the previous government and indeed our board, and how what is happening is the decreasing level of provincial support is making it virtually impossible for us to be able to meet some of those needs and initiatives, initiatives with which we fundamentally agree but which cause us great problems financially.

We are looking at a situation where we have had a 13 per cent or 14 per cent tax increase this past year. Just in maintaining what we have got, we are likely looking at something in the neighbourhood of that for the following year. We are getting to the point of realizing that if we do not start explaining very clearly to our local taxpayers that what we are doing is being put, as local school boards, in a position where we get to hand over the bill to the taxpayers for initiatives that are outside of our control, we are going to be the ones that will get creamed rather than the blame resting squarely here where it should be. I think certainly we will not rest in our efforts to let the public know what is happening and I think it is something the government ought to take seriously.

 $\underline{\text{Mr Cousens}}\colon \text{Thank you very much and I wish you more luck with them than you are having here.}$

The Chairman: Mr Silipo, Mrs Vanstone, Mr Snell, thank you very much. Your presentation has really rounded out the different viewpoints that we have heard. Mr Morin-Strom rather summed up what we have heard from the various boards of education. Of course, we have had different viewpoints from the development industry as well, and from the municipalities. So the problem is on our shoulders now as to how to sift out these various views and see what, if anything, we want to do with the bill at this stage.

Members of the committee should be aware that apparently the House leaders and whips will decide some time next week with regard to our request to sit during the first week of October. If you wish to contact your respective House leaders and whips and inform them of the reasons for our request, please do so. We will let you know the results as soon as we have heard from them and we will see you either that week or the morning of Thursday 12 October, whichever we are allowed to sit.

Mr Jackson: It will be a pleasure to return.

The Chairman: Thank you. So until then we will adjourn the meeting.

The committee adjourned at 1616.





